

Working Smarter

A report of recommendations to the Welsh
Government on better regulation in Farming

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Introduction

In August of 2011 the Minister for Business, Enterprise, Technology and Science, Mrs Edwina Hart, and the Deputy Minister for Agriculture, Food, Fisheries and European Programmes, Mr Alun Davies, requested a report by mid December 2011 to investigate the regulatory burden on Welsh farmers and land managers with the objective of recommending to the Welsh Government how to deliver better regulation within an appropriate framework, improved customer service for the farmers and a sector with increased profitability from a business perspective. There are a number of stimuli towards achieving these goals.

Firstly, the public service reform agenda in Wales, led by the Minister for Local Government and Communities, includes as a major theme the tackling of unnecessary bureaucracy and rationalising and streamlining wherever possible. Secondly, the publication of "A report on better regulation in farming and food businesses" (Macdonald report) in May by the independent Farming Regulation Taskforce in England included over 200 recommendations to Defra to reduce the administrative burden on farmers in England. Thirdly, the Local Better Regulation Office (LBRO) initiative is an executive non-departmental public body, working in collaboration with Welsh Government, focused on delivering simplification of the regulatory system, ensuring the voice of business is heard and demonstrating that enforcement matters.

The work of the Red Tape Review Group in Wales during the last Welsh Government made significant progress, including rationalising inspections on farms, developing a risk based approach and improving communications to engage 'hard to reach' farmers. In addition the report "Farming Food and Countryside" was produced in 2009. The content of both are reflected in the work of this report.

The appetite for better regulation has never been stronger, not least because the country hovers around a second recession and business growth is an essential part of the solution, but also Ministers are hungry for change. Regulations are necessary and are in place for good reason but can represent an obstacle to efficient practices and business growth. This report examines the regulations that impact on farmers, identifies weaknesses in specific regulations and in their process of implementation. It makes recommendations on improvements to enable businesses to develop.

The regulatory landscape that impacts on farming is both widespread and fragmented and in its entirety is beyond the scope of this study which focuses on the most problematic regulations from the customers' perspective. Examples of areas of regulation that have been knowingly excluded include animal feed laws, transportation, Commons, carbon emissions and on-farm health and safety. This in no way implies a lesser importance of reviewing these topics.

The report intentionally goes further than previous work: by setting out the path to actioning the recommendations within given timescales of this Administration; by identifying increased responsibility on the part of the Farming and Agricultural Industries; by encouraging Welsh Government to work faster in context of its many

achievements and not sometimes hide behind EC regulations or the promise of impending reports to avoid change; by highlighting the risks to success; and by describing how all parties can work in partnership to achieve the goals.

This report is in effect the link for better regulation in Farming in Wales from previous work and implementing the recommendations by 2015 in a sector ready for change – with everyone involved working smarter.

1. Compiling the evidence and recommendations

1.1 The regulatory framework surrounding the farming industry is one of the most diverse, both in the number and variety of regulations and the complexity of individual pieces of legislation. Adding to this complexity is the fact that many regulations now originate from the European Commission (EC) and are subsequently transposed into UK legislation and then Welsh legislation. A thorough, open and detailed process was adopted in clear stages.

1.2 To understand the framework it was essential, at the outset, to meet with the competent authorities on the regulations which in the Welsh Government context were lead officials. In every discussion a clear explanation was provided detailing what the regulation is trying to achieve, the level of influence of Welsh Government, implementation and controls procedures and communications with customers. All officials were invited to make their own recommendations and to make the Working Smarter team aware of their future plans to improve regulation.

1.3 This report was to be customer led from the outset and consequently customer views and perceptions have been vitally important and captured throughout the period of gathering evidence. Discussions were intentionally held in a format to encourage participants to be open and honest and this proved successful in highlighting the current issues. Discussions took place with individuals and with groups in government offices, on farms, and in livestock markets. Meetings were also held with dedicated Stakeholder (farmer, farmer representatives) and Partner (regulators) groups. Group membership is detailed in Annex 1. Approximately 80 meetings were held with some 250 participants. In addition, an email address was established and widely publicised to afford everyone who wished to do so the opportunity to contribute.

1.4 To account for sectoral and geographical differences, evidence gathering took place on farms throughout Wales and engaged the livestock, mixed arable, dairy, poultry and horticultural sectors. Meetings took place with farming unions and the Country Land and Business Association (CLA), regulatory organisations, Government and independent agencies. A visit to the 2011 Winter Fair proved a valuable opportunity to meet many farmers and interested parties.

1.5 It was important to cover the food chain up to the point of primary processing and in order to do so, visits to livestock markets, abattoirs and meat processors were included.

1.6 Two-months into the study, common messages were becoming apparent and seven key issues were identified to encompass the regulatory inadequacies. Seven focus groups comprising farmers and regulators and facilitated by Welsh Government officials were tasked with proposing solutions towards resolving the issues. This proved to be very valuable and credible because proposals came directly from those involved in detailed day-to-day management of the industry.

1.7 In its draft form, this report was proofed by policy leads for accuracy of facts and interpretation but not to endorse recommendations and was tested with a cross-section of farmers, the farming unions, government officials, government agencies and independent bodies before submitting the final recommendations to the Minister.

1.8 Ministers were engaged and updated regularly during the sixteen weeks process including Mrs Edwina Hart (Minister for Business Enterprise Technology and Science), Mr Alun Davies (Deputy Minister for Agriculture, Food, Fisheries and European Programmes) and Mr John Griffiths (Minister for Environment and Sustainability).

1.9 A Welsh translation of this report is available on request.

2. A brief overview of farming in Wales today

2.1 Farming is a fragmented industry. There are approximately 40,000 farms (holdings) in Wales, about 18,000 of which cover the majority of the land and a substantial number are Small & Medium Enterprises (SME's) or micro businesses.

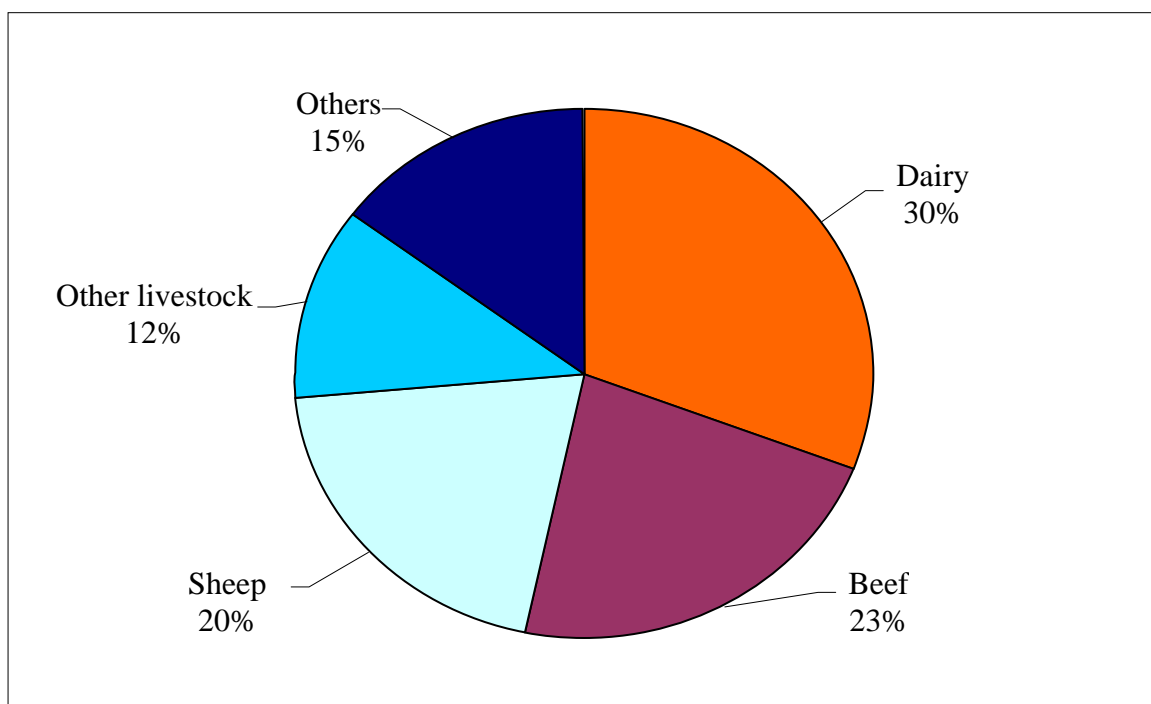
2.2 To inform the 40,000 SMEs about legislative requirements and support schemes approximately 3,000 pages of information (forms, guidance, records) from farming regulators could potentially arrive on a farm in any one year (see Annex 2). There are approximately 50 agencies, including government funded and Non-Governmental Organisations (NGOs) with an active interest in what is happening on farms (see Annex 3). The Welsh Government is currently working with 30 stakeholder groups linked to farming (listed at Annex 4) although a number have not met for some time.

2.3 The agricultural land area in Wales is approximately 1.5 million hectares, of which about 86% is grassland; arable varies from 5 to 10%, while the remainder is mostly woodland.

- The sheep sector is dominant comprising 8.2m sheep and lambs and 14,400 holdings. Sheep numbers have been declining; the breeding flock now numbering 4.1m compared to 5.5m in 1996.
- The beef sector has increased from 170,400 cows in 1996 to 242,000 in 2010 on 9,542 holdings.
- The dairy sector comprises 274,200 cows on 3,536 holdings which equates to approximately 1,900 dairy farming businesses and compares to 257,700 in 1996 on 4,905 holdings; the difference is explained by increasing average herd size from 53 cows to 78.
- Arable, horticulture, pigs and poultry sectors are all represented in Wales but are far less significant in scale compared to the main sectors.

2.4 Welsh farming is enjoying a recovery at the moment. Land prices are increasing, adding to asset value and in turn providing more access for farmers to capital in comparison with other sectors. The beef and sheep sector is benefiting from increased demand for red meat, particularly in export markets coupled with a long term contraction in the Welsh sheep flock which is contributing to significantly better prices. However, there are still problems; the dairy sector is slower to improve particularly for the small and medium size businesses and rising costs of production (animal feed, fertiliser and fuel) is curtailing profits in all sectors. Despite the general improvement, Single Payment continues to typically account for 80% of Farm Business Income.

2.5 In terms of gross agricultural output, the dairy sector is the most significant.



Average farm business income by farm type

Table 1
In real terms at 2010-11 prices

	2007-08	2008-09	2009-10	2010-11 (a)
Dairy	55,700	65,600	54,800	57,100
Cattle & Sheep (LFA)	21,500	25,800	35,300	26,200
Cattle & Sheep (Lowland)	20,600	25,700	33,900	29,700
All Farm Types	28,800	33,000	38,000	32,000

(a) provisional

Source: Farm Business Survey (FBS)

Note: Farm Business Income replaced Net Farm Income as the headline farm income measure in 2008.

2.6 It is important to note that approximately 70% of agricultural production comes from about 30% of the holdings. There is a significant gap between the best performers in all sectors compared to the average. The Farm Business Survey (FBS) for Wales consistently shows that the most profitable businesses tend to demonstrate higher productivity comprised of higher value sales, more efficient use of inputs and better overall cost control. There is undoubtedly scope for significant improvements in technical performance for many farm businesses and the Welsh Government has put significant support in place to provide help, mainly through the Farming Connect service.

2.7 Farming is heavily dependent on public money in the form of the Common Agricultural Policy (CAP). CAP expenditure is channelled to farmers through the 2 Pillar system. Pillar 1 comprises the Single Payment. This amounts to approximately £260 million of European taxpayers money paid annually to approximately 18,000 Welsh farmers on the basis of historic entitlement. It should be noted that a number of active farmers in Wales (number unknown) do not claim subsidy payments.

2.8 Pillar 2 is the Rural Development part of CAP and is divided into 4 axes. Axis 1 (Farming Connect, Processing and Marketing grants and the Supply Chain Efficiency scheme), Axis 3 & 4 (Diversification of the rural economy) are beneficial and perceived as such and so it is Axis 2 (Agri-environment) that is least well understood by many farmers. In contrast to Pillar 1, this pillar is largely funded (63%) by the Welsh Government. The annual flow of funding is further explained in the following table:

Table 2

Source		£ (million per annum)
CAP – Single Payment		260
CAP – Rural Development	– Axis 1	14
	- Axis 2	78
	- Axes 3 & 4	17
YESS		1.75

Note: The figures (rounded) for Rural Development represent average annual spend over a seven year programme.

2.9 The Single Payment represents income support to farmers. Rural development funding aims to: improve the competitiveness of farming and forestry sectors; achieve environmental benefits; and, support diversification in the rural economy. In addition to CAP, the Welsh Government fully funds the Young Entrant Support Scheme (YESS) at £1.75m per annum.

2.10 The running costs of the Deputy Minister's Department is approximately £20m per annum. A number of staff in the Department of Environment and Sustainability (DES) are also engaged in farming policy and support (environment teams, Office of Chief Veterinary Officer, Evidence and Evaluation Division) and their running costs are estimated at £4m.

2.11 The demographics of farming is a subject of much debate. Survey data indicates an average age of 59 but ignores the composition of farming families; there are more young people active on farms who are not yet the principal farmer or who are farming in partnership. Increasing numbers of young people are enrolling in agricultural courses in universities and colleges and the educational establishments report that the majority of students leaving college go into farming.

2.12 Currently, the UK agri-food sector contributes up to 7 per cent (£79.4 billion) of UK Gross Value Added (GVA). The relative importance is greater in Wales and is a very important part of rural Wales in terms of the heritage of the family farm, the contribution to rural community life as well as the rural economy.

2.13 The growing global population, which recently passed 7 billion, raises serious concerns about worldwide food security while climate change will threaten future production in equatorial and sub-equatorial regions. Improving economic conditions in South East Asia is resulting in increased demand for meat and dairy products. These changes represent opportunity for the farming industry in Wales which is unlikely to be impacted too adversely by climate change. The challenge for Government is to encourage, support and enable farm business development, growth and diversification while complying with an increasingly demanding regulatory framework, most of which is imposed by the European Commission.

2.14 This report makes firm recommendations for better regulation and simplification to remove real and sometimes merely perceived regulatory barriers to grow the farming sector in the context of The Welsh Government's Agricultural policies.

3. How Farming Business is conducted today

Developing regulation

3.1 The majority of the regulations that impact on farmers in Wales originate in the EC. The opportunity for the Welsh Government to influence the process is not straightforward. The EC negotiates directly with the 27 Member States including the UK. To ensure an effective influence, The Welsh Government has developed productive working relationships with the EC, with Defra in England and with the other administrations in both Scotland and Northern Ireland where policy proposals are discussed at length and a UK position is ultimately agreed. It can be difficult to reach agreement given differences in government priorities and farming issues between the UK administrations. The quality of relationships is very important and complicated by the regular turnover in lead officials and Ministers both at a UK and Wales level. Formal and regular engagement, particularly between the respective Ministers, is essential to working smarter.

3.2 The Welsh Government also seeks to influence the EC directly through its officials based at the Wales Government's Brussels office and also lead officials in Wales who travel to Brussels and take part in regular policy meetings with Commission officials. This is an essential part of the engagement process to ensure that the EC is fully informed about Wales' views and priorities which, on some issues, differ from the rest of the UK.

Stakeholder engagement

3.3 The Welsh Government has a proven track record of inclusive policy making. There are very many interested parties or stakeholders involved in formulating farming policy including farmers themselves, the farming unions, agencies of government and non-governmental organisations. In addition, there are a number of Welsh Government departments with an interest including the Department of Business, Enterprise, Technology and Science (BETS), Department for Environment and Sustainability (DESD) and the Health Department. Annex 2 lists a cross section of key players in the Welsh agriculture industry.

3.4 Stakeholder engagement is sometimes challenging due to the many overlapping agendas; Government calling frequently upon the time of key participants; the sheer difficulty of accommodating all interests around the discussion table and the strength of lobbying from special interest groups. A recent review of stakeholders in the Rural Affairs Department recorded 30 groups (excluding fisheries). The effectiveness of stakeholder group working is reportedly variable; the poorest examples are groups hurriedly formed, meeting infrequently, spoken at rather than listened to and stakeholders feeling that they are part of no more than a 'tick box' exercise. It must be emphasised that very many groups do work effectively and the basis of engagement is valued by the stakeholders. Without this stage in policy development, both the Minister and officials would be overwhelmed with requests for meetings.

3.5 The role of the farming unions in Wales is an important one in moving forward. Their membership figures are respected as confidential but both combined represent a majority of the 18,000 receiving CAP funding but then a minority of the 40,000 holdings. Some farmers belong to both Unions - many belong to neither - so the membership matrix is a complex one. Perception by many within and outside the industry is that they reflect the views of all farmers but this cannot be the case.

3.6 The voices of both farming unions and the CLA are powerful in conveying to and beyond the industry views on policies, whether in support of or questioning or opposing the Welsh Government. Bearing in mind external perception, their style and content of communication are key. To some members and listeners or readers this is seen as providing leadership. However, if views are opposed to Welsh Government this may be seen by officials and even by some farmers as displaying negativity or resistance to change.

3.7 Formal and informal consultation is a standard part of policy development when there are options to consider and provides an opportunity to the public at large to offer their opinions. It has variable value which is influenced by the number and quality of responses; the higher profile stakeholders, including the farming unions and the environmental bodies, usually produce the most detailed written responses.

Communicating regulation and supporting customers

3.8 European regulations are transposed into UK and Wales regulations and the approach is to apply the lightest touch possible although this fact often escapes the customer.

3.9 Standard communications involve issuing the detail of the rules and technical guidance which can involve writing to all customers likely to be affected as well as publicity campaigns. The effectiveness of this method is variable as an overload of information can be counterproductive. An assessment of standard rules related information (guidance, forms, record books etc) that could arrive on a farm in a typical year, from all farming regulators amounted to approximately 3,000 pages or twelve paperbacks!

3.10 Much emphasis is devoted to communicating regulatory requirements to customers and the Wales' approach is much admired by Defra and farmers in England. The Farm Liaison Service (FLS) provides in effect a 'one-stop-shop' service which is free to farmers and offers advice on all schemes, subsidies and regulations.

3.11 The Gwlad publication, in both hard copy and on-line, is valued by farmers as an easy and informative read. Gwlad has recently been reduced in numbers from 11 issues annually to a bi-monthly publication, in part because of budgetary pressures but also due to an ongoing drive to move services on-line. It is too early to judge whether customers will move in significant numbers to accessing the on-line version due to the many distractions on-line activity presents compared to the unavoidable hardcopy in the letterbox. This situation will need to be monitored as this successful point of contact must not be lost or devalued.

3.12 The Welsh Government office network is heavily used by farmers to seek support on schemes and regulations. The Divisional offices (Caernarfon, Carmarthen, Llandrindod Wells) and Aberystwyth offer daily 'Front Office' support services while a limited number of much smaller Area Offices offer similar support but on a more restricted basis (typically one day per week but with some seasonal variation). The Front Office service offers general information on support schemes and regulations; offers a cursory check of completed Single application Forms (SAF) and accepts submissions of other scheme applications. RPW increase staffing levels in Front Offices during busy periods such as SAF/Glastir submission. Currently there are twenty-four permanent Rural Payment Wales staff involved in Front Office duties across 4 divisional offices (see Annex 5). The staff involved carry out other duties for RPW when necessary. Smaller offices are staffed from the resources of the 3 Divisional Offices.

3.13 Farming Connect (FC) is another uniquely Welsh customer service of excellence. Delivered through the Rural Development Plan, the service is a compendium of beneficial services to farmers including business advice, group technology transfer, action learning (Agrisgôp) and practical training courses. Many elements of the service are free or heavily subsidised and grants have been provided for business development and diversification in the past.

3.14 The Farm Advisory Service (FAS) is mandatory under the CAP to provide environmental advice, particularly in relation to Good Agricultural Environmental Condition (GAEC), a land management requirement imposed on Single Payment recipients. The service tends to be requested by customers following a breach of GAEC rules. However, there are proposals from the European Commission (EC) to broaden the remit of FAS following the current round of CAP reform which may then include elements of support currently offered under FLS and FC. Some rationalisation of services will then be inevitable.

3.15 Partner organisations, including the Environment Agency Wales, the Countryside Council for Wales and farmer representative bodies, especially the farming unions, will also communicate regulatory changes to farmers and offer support with compliance – areas where consistent messages are essential.

Controlling regulations

3.16 Policing of regulations is a shared responsibility between the Welsh Government and various agencies depending on the specific regulations. Individual farms can be subjected to many inspections while other farms may receive very few. There are many factors influencing the number of inspections for individuals including the nature of the regulation.

The Customers' viewpoint

3.17 Despite the efforts on the part of regulators and partners to communicate regulatory requirements and control compliance efficiently, there appears to be a culture of fear amongst farmers born out of the complexity of regulations and the ease with which rules can be accidentally broken resulting in a financial penalty. Regulators differ in their approach and the reportedly 'overly officious' nature of some inspectors (not RIW) does not help. This has resulted in a reluctance to contact authorities for advice for fear of been targeted for inspections although there is no evidence that this happens. This 'head in the sand' attitude can only create bigger problems for both the farmer and ultimately the regulator.

4. Key issues to emerge

4.1 The process of evidence gathering proved effective and consistent in identifying a number of commonly held views on where specific regulations and regulatory processes are causing significant concerns and burdens for customers.

4.2 The key issues were explored in detail through a series of seven workshops comprising farmers, agency and farming union representatives, independents and Welsh Government officials. Proposals were sought in response to questions as detailed below:

- Communications – How do we further improve communications?
- CAP support – How can we improve the validation rate of SAF and the subsequent customer process?
- Inspections – How do we reduce the number of inspections while adequately addressing the risk?
- Animal health and welfare – How do we safeguard animal health and welfare while establishing flexibility of movement for livestock?
- Record keeping – How do we reduce and simplify the records for identification, movements and medicines?
- Environmental regulations – How do we improve the understanding of and compliance with environmental regulations, including water, energy and waste?
- Diversification – How do we enable easier diversification on farms e.g. tourism, food processing?

Chapters 5 to 11 now examine these issues in detail making recommendations within 3 timescales for implementation – quick wins [**Q**] by July 2012, short-term [**S**] by July 2013 and medium term [**M**], by July 2015. These workshops proved the benefits of partnership working as an excellent example of Working Smarter.

5. Improving communications

Communicating with farmers

5.1 The single biggest weakness across government and agencies in striving to achieve better regulation is failing to communicate clearly and effectively. There are failings at all levels, in Government and between Government and agencies but perhaps the most damaging is Government or regulator to customer. Farming related regulations are many in number and are often complex which presents a significant communication challenge.

5.2 The Welsh Government has some well established and commendable communication/support tools in the form of the Farm Liaison Service, Farming Connect, FAS, Front Offices and Gwlad. It is worrying that these most effective communication mechanisms, which are highly valued by customers, are the victims of budgetary cuts. FLS now comprises only 5 officials to cover all of Wales. The officials are seen as friendly, approachable and very knowledgeable on all matters farming. The one-to-one advice and the 'group' and 'surgery' approaches employed by FLS are universally appreciated. It is disappointing that the FLS has been downsized. The reduction is a consequence of smaller budgets but is also in keeping with the government's objective to provide less 'hand-holding' for farmers. But the reality is that up-front investment in support services such as the FLS may result in fewer scheme errors and problems later on which all require further resourcing and additional cost. Reduction in the size of the FLS can therefore be viewed as something of a false economy.

5.3 All officials in Rural Affairs need to be knowledgeable on a wide array of regulations and schemes. Those front facing staff need to be even more knowledgeable and up to date on matters if they are to provide an excellent and comprehensive service to customers. They also need to understand the boundaries between offering support and handholding. They must be mindful not to offer advice beyond their knowledge base and remit. Appropriate ongoing training and development – including the provision of desk instructions - is vitally important.

5.4 Despite the array of significant and valued communication initiatives and support services, important policy messages are not always effectively relayed to farmers. There is a lack of understanding as to why rules are in place and the reasons for the way in which controls are implemented.

5.5 Gwlad has been reduced from 11 to 6 hardcopies annually although it is now available on-line. The Welsh Government is generally moving to more information provision on-line and has recently improved its website although it is still not the easiest to navigate. The success of on-line communications must be carefully monitored; the farming population being older and more traditional may not engage as required. The Welsh Government website is not the easiest to navigate for novice surfers; the Environment Agency's Netregs website is a very good example of how to make regulations easy to find and to understand. Most farmers are now in possession of mobile phones and text messaging may be an option open to regulators to reinforce communications. The Welsh Government's on-line programme plans to incorporate this service.

5.6 Mailings are commonly used to notify farmers of regulatory requirements and changes. Detailed guidance booklets are issued and sometimes repeatedly when small changes are made. The regulator can be confident in the knowledge that the customer has received 'chapter and verse' on the regulation and should now be compliant. The reality is that some 3,000 pages of regulations could be delivered on any one farm each year and in many cases are not read or properly understood. Farmers are fearful of regulation; they need the key information clarified in simple terms with references to where they might access more information, either on-line, hardcopy or face-to-face, if required. The Cross Compliance factsheets appear to have struck the right balance from the customer's perspective.

5.7 Correspondence with customers portrays a range of problems. Letters are often unnecessarily lengthy with the important information hidden often on the bottom of page 4 - customers want to be told the important information up front. The tone of letters can be intimidating and threatening, particularly in the pursuit of animal disease eradication. The stress induced in customers is not the way to win support for a very important campaign. Quality assurance is piecemeal; after 'Red Tape', improvements were promised but have not been consistently delivered. Some sharing of draft correspondence with farming unions is commendable but this is not standard practice.

5.8 The majority of farmers interviewed understand that they are in receipt of public money and there must be rules to ensure due diligence and accountability but they do not necessarily understand the ramifications of a failed EC audit. Disallowance which could cost £ millions to the Welsh Government is meaningless to them, and not seen as something that would impact directly on individuals. There are very many examples where Government and agencies have failed to adequately explain rules and decisions e.g. farmers highlighted the failure of micro-hydro applications due to Environment Agency refusal to grant a water abstraction licence and see this as nonsensical: "I would be removing water but returning it directly to the river". Clearly, the reasoning behind the decision had not been effectively explained. Lack of understanding increases the fear factor amongst farmers: "I will not apply to Glastir because it seems complicated and if I get it wrong not only will my Glastir payment be penalised but also my Single Payment".

5.9 Farmers repeatedly stated that Government appears not to be listening – the converse can also be true. Farmers were quick to point out that 'local' Welsh Government staff do listen and are supportive including those in the FLS, some Rural Inspectorate Wales (RIW) staff, Divisional Office and Area Office staff, in contrast to 'Cardiff staff' who are seen as more remote with a more limited understanding of farming and the customers perspective. In response to customer queries about delayed Single Payment, the Welsh Government response (reported by a number of interviewees) of, "Well we don't have to pay you until June", is judged to be totally unacceptable when farm business plans and cashflows are structured around this vital payment. The Single Application Form (SAF) rules booklet does advise that farmers should not make business decisions on the basis of early payment (within the payment window) but in reality accurate budgeting should be based on the most likely date of payment. Glastir was commonly cited

as an example where Government repeatedly failed to listen. There is a feeling amongst some farmers that officials when advising Ministers are not giving them the full and unbiased advice they require when making policy decisions. Whether these situations are real or perceived is not the important point; that they are addressed by Government is crucial.

Communicating within Government, agencies and independents

5.10 There are a number of Departments and Divisions within Departments that have an interest in certain policies or aspects of policies. There would not appear to be a systematic way of identifying all the potentially interested parties at the outset of policy development. This challenge seems to be dependent on knowledge of officials and network development within. The risk of policy development in silos is increased, time is wasted and resources not used to best advantage. It is possible to put checking mechanisms in place at the earliest stage of policy development to improve linked communications and joined-up thinking.

5.11 Agencies and independents are generally effective in taking their agendas to the Welsh Government and securing involvement in stakeholder working and will resort to writing to Ministers if they feel excluded. Communication per se is not the problem; it is the quality of the relationships. The best example is perhaps the occasionally troubled relationship with the farming unions; mistrust on both sides has unnecessarily resulted in tension over policies, most notably over Glastir.

Communicating with Defra, other administrations in the UK and the EC

5.12 Close working with the rest of the UK is essential for the Welsh Government given the influence of the EC on policy and regulation in farming. Clearly, officials communicate and work well across borders although the Whitehall agenda can be very different to Welsh Government priorities not least because of the differing prominence and nature of the farming sector, in every respect, between England and Wales. CAP is the financial lifeline (Single Payment makes up 80% of Farm Business Income) for farming in Wales and with significant reform underway the Welsh Government must be confident in its position which has been fully established through evidencing and impact analysis. The backing of the industry must be secured through openness, transparency and clarity of message and a united front presented in negotiations with Westminster and Brussels. A divided approach, for example with different messages from Government and the farming unions to Commission officials, will only reduce Welsh influence considerably.

Recommendations

R.1 The Welsh Government must communicate and publicise more effectively the sources of industry support, customer engagement and proofing of regulations [Q].

It is already working to improve communications but customers are often less aware of improvements that are already happening. For example:

- The recent improvements to the farming interest pages on the Welsh Government website.

- The successfully implemented recommendations following the Red Tape review such as combined inspections and reduced duplication of records, while acknowledging scope for further improvements.
- Welsh Government's successful record on 98.5% of Single Application Forms (SAFs) submitted that do not lead to appeals.
- Communicate that 'earned recognition' is already being implemented in Wales in relation to risk based farm selection for inspection
- The difference that YESS has made to young farmers in Wales including advancing industry succession
- The Farming Connect success story on customer service.

R.2 Increase the FLS resource to support farming customers. Doubling the current resource would be a worthwhile initial step **[S]**.

R.3 The Welsh Government officials who communicate directly with farmers must have an understanding of the industry gained through their own farming experience and/ or effective training provided by the Welsh Government – making use of the farming unions and other external agencies' experience. A set of competencies should be developed for farmer customer engagement/service. An ongoing training and development programme should be introduced so that staff can develop multiple skills essential to effective face-to-face, written and telephone communications **[S]**.

R.4 While many farmers are not computer proficient the vast majority now carry mobile telephones. The Welsh Government's communication strategy should incorporate message texting to deliver timely and critical information to farmers. Systems should trigger relevant messages as a reminder at the appropriate time of year. For example, the provision of a reminder on sheep EID requirements in advance of the autumn sheep sales. Timely text messages could also be used to signpost farmers to the website **[M]**.

R.5 Work with EAW and other partners to adapt the Netregs system to communicate regulations to customers in an easily understood format which is also easy to navigate **[S]**.

R.6 Research and develop business models to emphasise to customers the business benefits of good regulatory compliance. This would help to counter a widely held attitude that many regulations are an inconvenience to the farmer and a cost to his business. Explain, through examples, significant terms such as 'disallowance' and 'infraction' to farmers in simple terms to demonstrate the potential cost to individual farmers, the farming industry and to the taxpayer **[M]**.

R.7 The Welsh Government website should provide easy access to a glossary of terms, acronyms and definitions to provide clarity to customers. Terms such as sustainability and biodiversity can mean very different things to different readers **[Q]**.

R.8 The intranet/internet should use an alert facility to identify all new policy proposals and developments and should enable those reading the alert to flag their interest so that policy leads can easily identify interested parties [**S**].

R.9 All new policy development must incorporate a comprehensive communications and engagement plan, with timelines of that new policy - making use of all bodies with an interest in agriculture to impart consistent messages [**S**].

6. Managing CAP Support

Pillar 1: The Single Payment

6.1 The farming industry is a dependent industry with CAP support providing the lifeline. Farmers are facing many uncertainties including the current round of Common Agricultural Policy (CAP) reform which will lead to redistribution of Single Payment when the payment becomes area based from 2014. Single Payment typically accounts for 80% of farm business income and the Welsh Government will be working hard to negotiate transitional arrangements so that changes are gradual giving businesses time to adjust.

Components of Farm Business Income in Wales 2009-10 (£)

Table 3

Farm Type	Income from Agriculture	Single Payment	Other Payments	TM& agri-Environment Payments	Diversified Income	Farm Business income
Dairy	13,500	31,500	4,000	2,400	800	52,200
LFA Grazing Livestock	- 4,900	28,900	400	7,800	1,300	33,600
Lowland Grazing	1,400	26,600	800	2,300	1,200	32,300
All Farm Types	-1,500	29,300	1,000	6,100	1,300	36,200

Source Farm Business Survey in Wales

Note

1. Figures have been rounded to the nearest £100 and may not reflect accurately the sum tota..
2. 'Other Payments' includes bTB compensation and other compensatory payments.

6.2 Farmers produce food and manage essential environmental resources (water, soil, air, wildlife) which are required by the general public. Farming regulations are widely seen as burdensome but are necessary because farmers receive large amounts of public money and are the providers of food and environmental goods essential to life. Farmers do not always clearly understand this relationship and the need for regulation. They cannot afford to make errors on the Single Application Form (SAF), breach the rules and incur penalties.

6.3 The Single Payment was introduced in 2005 and is now well established; customers have a reasonably good understanding of the process, timeline, the forms, the cross compliance requirements and the on-farm inspection protocol. The Welsh Government has an exemplary record; this year they have paid 90% of farmers under the Single Payment Scheme a total of £214million shared between 14,596 farmers on the first day of the payment window. Regulation allows for payment anytime up to June of the following year. The Welsh Government has set its own demanding benchmark through early payment. Later payments cause significant disruption for farmers whose business planning and cash flow is based on December receipt of the Single Payment. The business chain both upstream and downstream is equally dependent on farmers paying their bills at this time of year. The difficulties with the Single Payment from the customer's perspective include:

- The SAF application window closes on 15 May each year. This date is set by the EC and clashes with a very busy time for livestock farmers (lambing and calving).
- Small changes are made to the SAF form most years.
- The perceived complexity as full scheme guidance is issued every year – some farmers would prefer updates on changes only. The form is lengthy and there is the perception that the SAF in England is simpler with more pre-printed information. In reality, the SAFs are very different because in Wales agri-environment scheme claims are incorporated while in England ‘Natural England’ manage a separate claims process. In Wales livestock information is requested on the SAF for the purpose of gathering risk analysis data to meet control requirements and it is more detailed than anything available directly from BCMS. The Rural Payments Agency in England appears to be able to rely only on BCMS data. Fear of making errors and failing validation resulting in delayed or lost payment. In most years 60% of SAFs pass first round validation (in 2011 only 40% passed due to re-mapping) often due to minor changes such as refining field sizes. There are a variety of approaches to completing the form; farmers do it themselves; use agents, consultants and farming unions. Very many farmers queue at Welsh Government offices in the final fortnight (up to May 15th) to hand in the form and receive cursory checks by officials. Seemingly, the more ‘professional’ businesses are more likely to seek expert assistance to complete the form.
- Fear of inspections due to the perception that most farmers are inspected and most suffer penalties. In reality, the rate of inspection is prescribed and has been reducing (1% of some 17,000 claimants cross compliance inspected, 3% to 5% bovines and 3% sheep, 5% agri-env in a targeted zone) while there are very common breaches in relation to cattle ID and movements that do result in breaches.
- The subject of errors is a bone of contention between customers and Welsh Government. There is a category of ‘Obvious Error’ which could be a simple clerical error on a form such as forgetting to tick a field parcel on the SAF. A claimant may realise the error before the application is validated and notify the Divisional Office. This then becomes a ‘Notifiable Error’ and is corrected without penalty. Obvious errors that are not notified are treated following EC guidance which includes specified penalties. A recent working document offers more guidance on the interpretation of obvious errors but there are still ‘grey areas’. Welsh Government has been criticised by EC auditors for ‘ruling’ in the farmers favour too often compared to other Member States i.e. Wales reports more obvious errors than any other Member State. Farmers worry that clerical errors on the application form will trigger an error and penalty and there may be scope for the Welsh Government to introduce safeguards when electronic applications are enabled.

6.4 The Welsh Government works with a dedicated CAP stakeholder group usually meeting before the application window opens to discuss changes to the form but the engagement is not perfect. Reportedly, changes are sometimes made to the form and the rules after this meeting and the meetings can be very infrequent. A more positive aspect is that the Welsh Government provides training to agents and consultants who support farmers through the process, to explain changes to the form and rules.

6.5 The SAF application process will change markedly with the introduction of on-line applications from 2014. This will provide an improved rate of validation and enhance the customer process by reducing human errors; increasing efficiency of access to and updating of customer claims and records; increasing the ease and speed of claim validation; and provide a communication structure that will be quicker, more timely and efficient.

Pillar 2: Agri-environment

6.6 Pillar 2 encompasses 4 axes. Approximately 80% of the rural development budget is spent on Axis 2 agri-environment schemes. The introduction of the new scheme, Glastir, has proved difficult. Contributory factors include the replacement of popular schemes (Tir Gofal, Tir Mynydd), perceived complexity of Glastir options and rules, perceived lower payments and an adversarial culture which unfortunately developed between the Welsh Government and the farming unions. Ultimately, the scheme is ideal in terms of the EC requirements on the environment but appears to have been introduced too soon and in a rushed fashion before the scheme policy detail was properly developed in a true partnership with stakeholders.

CAP Appeals

6.7 Farmers have access to an appeals process consisting of 2 stages covering a range of schemes from the Single Payment Scheme through to reduced TB compensatory payments. The stage 1 review is carried out by the Divisional Office that made the initial decision and the stage 2 review is undertaken by an independent panel that make recommendations to the Minister responsible for Rural Payments who then takes the final decision. Prior to the stage 2 review the Appeals Unit in Cardiff review the case to see if anything can be done to enable a payment to be made. The appeals unit also identifies possible Judicial Review challenges to current policy which has had the effect of changing policy/practices across Rural Payments and avoiding expensive litigation.

6.8 Around 300 stage 1 appeals are received annually compared to about 30,000 payments across all schemes and they are usually processed quickly but the quality of the responses vary widely. This means that the Appeals Unit has to expend some considerable time investigating appeals and the underlying policy prior to defending the Welsh Government view at a stage 2 panel hearing. Around 60 appeals progress to stage 2 annually and currently 23% of the stage 2 appeals have not needed to proceed to panel because a way has been found to enable a payment in full or part to be made. Around 14% of the remainder have been successful at panel owing to new information coming forward during the hearing.

6.9 The individual officials in the Divisional Offices are not dedicated to appeals work as their main job is to get the payments out on time to the vast majority of farmers in Wales. Their inexperience on appeals work means they are not always aware of the questions to ask or the issues to investigate and their drafting skills are not always as good as they might be. This then has a knock on effect to stage 2 of the process.

Recommendations

R.10 The payment of public money to farmers should be on the basis of formal contract in all cases. Well conceived contracts are more meaningful in developing shared ownership and responsibility. However, contracts must be easily understood and transparent and contain only the essential information. The farming unions together with other relevant bodies should fully support the Welsh Government when it takes action against those who transgress the rules/breach their contracts **[M]**.

Note: All 40,000 farmers are subject to sanction if they breach the law in areas such as animal health and welfare and the environment.

R.11 Ensure that the development of the on-line systems for all CAP schemes, commencing with Single Payment and Glastir, closely involves all interested parties through the On-line Systems Stakeholder Group. On-line should not mean a simple upload of the existing SAF with its current shortcomings. Ease of navigation and pre-printed/entered information must be ensured – the on-line PAYE system is a good example. Legislative requirements must be clearly flagged while additional information recording should be available as an option to farmers that find information such as field names beneficial. The planned piloting in year 1 and comprehensive training will be essential and ways to incentivise on-line applications may be considered e.g. free training **[M]**.

R.12 The SAF should focus on collecting information required by legislation rather than additional information often collected / available through other data systems [e.g. British Cattle Movement Service (BCMS)]. Systems must become more integrated to enable sharing of data **[M]**.

R.13 The Welsh Government must review its approach to the level of penalty applied to 'intentional' cross compliance errors **[S]**.

R.14 Only send complete SAF guidance to farmers every other year. Updates, detailing the changes only, to be sent to farmers every year. More use should be made of cross-referencing the update to the full guidance for customers seeking more detail **[S]**.

R.15 Ensure that the development of on-line applications offers the facility to applicants to cross-reference the current year's application (e.g. SAF) with previous years so that he/she can self check and reduce the risk of errors **[M]**.

R.16 Improve joint working with the CAP Stakeholders group through timetabling meetings regularly and timely (in advance of changes); ensuring that their

concerns are addressed and that all changes to SAF and SP rules are clearly explained and understood [**Q**].

R.17 Issue letters in late November to SAF claimants where payment will not be made on the first day of the payment window (1 Dec each year) including, where regulation permits, the stated timescale towards resolution, a named point of contact (case manager) and the reason for the delay [**S**].

R.18 Make available more training to private vets and Farm Assurance inspectors so that they are fully informed, confident and therefore able to communicate best practice on regulatory requirements (cross compliance, Good Agriculture and Environment Condition, animal health etc) [**S**].

R.19 Rural Payments Wales to establish a specialist appeals team in one of the Divisional Offices to deal with all Stage 1 appeals which would improve staff knowledge and competency, consistency generally, quality of Stage 1 appeals and response times for customers [**M**].

7. Reducing the number of inspections

Perceptions and reality

7.1 The Welsh Government has worked hard to reduce the number of farm inspections and to work closer with partners to streamline the approach. In reality only a small percentage of farms are inspected under CAP. The essential facts of RIW inspections are summarised in the following table:

Table 4

Measure	SAF claimants (%)	Compliant inspections (%)
Cross compliance inspections	1 (approx 200 farms)	93
RIW cattle inspections	3 to 5 (approx 750)	65
RIW sheep inspections	3 (approx 750)	80

7.2 The Bovine Tuberculosis (bTB) regulations in Wales require all farmers with cattle to have their herds tested, at least annually and also pre-movement for bTB, which can be very disruptive to businesses particularly if reactors or suspects are found. Testing does not result in penalties if farmers cooperate and compensation payments for reactor animals are scaled to encourage compliance (100% payment if fully compliant). Farm Assurance inspections take place every 18 months and can be seen as an aid to marketing. Environmental inspections are often for a specific purpose which could be planning related or designated site specific. Trading standards inspections are largely risk based.

7.3 Inspections are an integral part of regulatory controls and while there should be scope for a smarter approach, including an overall reduction and avoidance of duplication, there will always be a need for on-farm inspections.

7.4 The majority of farmers complain about the number of inspections and the fact that there appears to be significant overlap between the different authorities. For example Local Authority Trading Standards inspect movement and medicine records which will also be inspected by FAWL. Both organisations will inspect other and probably differing aspects of the production system but it is the overlaps that understandably irritate the customer.

7.5 The following table (page 27) details an array of inspections that a mixed livestock farm could experience and potentially in quick succession.

Table 5

Inspection	Inspection body
Cross compliance (inc: GAEC, Cattle ID and Sheep ID)	Rural Inspectorate Wales (RIW)
Integrated Admin. Control System (IACS)	RIW
Animal welfare	Animal Health and Veterinary Laboratories Agency (AHVLA)
TB test (regular and pre-movement)	Official Veterinarians (OVs) working to AHVLA, or AHVLA Veterinary Officers
Farm Assurance	FAWL and/or food processor and/or major retailer
Livestock movements/medicines	Trading Standards
Health & Safety	Health & Safety Executive (HSE)
Planning application	Local Planning Officer and perhaps wildlife surveyor (e.g. bat survey)
Site Special Scientific Interest (SSSI)	Countryside Council Wales (CCW)
Environment license (e.g. water abstraction)	Environment Agency Wales (EAW)
Farming Connect	WG officer
Cross compliance / GAEC	EU auditor (re-perform a previous inspection)

7.6 The Welsh Government's Red Tape review made progress combining some inspections such as bTB and cross compliance (cattle ID), and also EAW and RIW joint visits, but this does not happen routinely due to piecemeal data sharing and some resistance from agents. Technological advances have also reduced the need for some inspections; most land related cross compliance inspections are now undertaken through remote sensing.

7.7 Apart from the disruption to business, farmers genuinely fear inspections, particularly CAP inspections that can result in penalties, and there are mistaken perceptions that penalties are virtually unavoidable. Simple pre-inspection guidance and checklists if made available would improve preparedness, reduce stress and increase compliance.

Managing risk

7.8 Inspection frequency is prescribed in respect of CAP schemes but less so in respect of Local Authority farm inspections. There is more scope generally for risk based / earned recognition approaches and some progress has been made in this direction. EC Regulations allow paying agencies to use information, where evidence exists of an improved level of compliance, from other sources such as farm assurance when determining risk based assessment. Farm Assurance bodies do not have the same level of sanctions as other official bodies and there is a perception amongst some bodies that Farm Assurance are not subjected to the

same level of third party audit. From 2012 the AHVLA will be using FAWL inspections results in their own risk based selections. A Warwick university study reported that breaches of animal health and welfare legislation was significantly less likely on farm assured farms. FAWL are progressing a risk based approach with reduced frequency of inspections for fully conformist businesses while more attention would be paid to problem members. They are also exploring on-line remote inspection for aspects of the inspection. Mandatory dairy hygiene inspections have been combined with Assured Dairy Farm inspections. RIW use their own customer data such as previous satisfactory inspection records in a risk based approach to inspections.

7.9 Data sharing is problematic generally; RIW share some data with FAWL but there are issues of confidentiality and legality to resolve. RIW share information with Local Authorities (LA) although LAs find the data difficult to interpret. Some BCMS data is available to RIW to factor into the risk assessment, including data on late cattle passport applications and cattle death statistics. BCMS undertake the Cattle and Sheep risk assessment on behalf of England, Wales & Scotland. The process is reviewed annually and changes are made to improve the effectiveness of the risk assessment. Decisions on changes have to be agreed with England and Scotland. BCMS are in possession of substantial amounts of data including cattle twinning, tag replacements and same day birth data which if made available to inspection bodies could further refine the risk based approach to many inspections. This data is currently unavailable; it is unclear whether this is due to data protection issues.

7.10 Combining inspections has a role to play in reducing the total number of inspection visits, however it is not a panacea. As part of the Red Tape Review, vets were encouraged to notify RIW in advance of TB tests to try to combine both inspections on the same day. There has been a mixed response from private vets, some being reluctant to be associated with RIW inspections. However, some farmers report that the 'double' inspection is too stressful and would rather have separate inspections.

Inspection competency

7.11 The breadth of regulations that affect farmers are controlled by a range of regulators all sending their own inspectors on to farms. There is considerable variation in terms of approach rather than inspection competency. Inspection is inevitably a policing role but the most effective inspectors are respected by farmers and are likely to achieve higher levels of compliance. When used to best effect, inspectors can be advisors as well as enforcers and should be conveyors of best practice. The Environment Agency Wales has worked hard to develop a technical development framework where they train, monitor and accredit regulatory staff on ability and experience which has improved customer relations and the inspection experience for the customer.

7.12 The Operational Delivery Partners Forum (OPDF) was born out of the Red Tape Review and provided the opportunity for inspectors across the piece to share experience, best practice, inspection protocols and issues. After a flying start the OPDF appears to have become a 'niche' forum with a narrow remit and perhaps an animal health focus.

7.13 The LBRO has gained experience in running successful leadership seminars for regulators which enable them to experience regulation from the customer's perspective. They have also implemented business workshops, where local and national regulators come together with local businesses to discuss issues and agree the way forward towards better regulation. LBRO is willing to assist Welsh Government to progress this approach with farmers.

Penalties

7.14 Farmers fear financial penalties which is the main reason behind their worry over RIW inspections. There is the perception that penalties are the norm, are excessive and line Welsh Government coffers. In reality, many of the penalties applicable to both Pillars of CAP are prescribed in detail in the legislation. Cross compliance errors are defined as Negligent or Intentional. The regulations define the penalty matrix which for negligent errors ranges from 1% (minor breach) to 5% (severe) and for intentional errors ranges from 15% to 100% while a repeated negligent breach results in a tripling of the penalty. Welsh Government applies the intentional penalty only where there is clear unequivocal evidence, which shows that the claimant knew of the breach. For instance when he is an Agri-Environment Agreement holder and breaches GAEC or has had a letter informing him that failure to replace ear tags within 28 days. The majority of financial penalties (75%) must be returned to the EC, the remainder is made available to the Welsh Government by the EC to help fund the controls.

Meat hygiene inspections

7.15 Meat inspections warrant special mention owing to the strength of opinion voiced on this subject during evidence gathering. The Food Standards Agency (FSA) is responsible for delivering official controls on the production of meat to verify that food business operators are complying with food hygiene and animal health and welfare legislation in approved meat establishments. Official controls include checks on live animals and post mortem inspections, and also audits which serve to ensure that food business operators are taking responsibility for the safe production of meat. The meat industry appreciates the need for product assurance but is worried about the additional cost to businesses.

7.16 Current industry fears are that small scale operators, who will receive a subsidy, will be locked into small scale production as expansion will become unviable. FSA maintain that they will implement a rolling year-on-year average so that changes in throughput can be identified and the subsidy will then operate on a tiered basis. Medium scale processors fear that costs will escalate by 300 to 400% in some instances while large operators are concerned that they will have to bare a disproportionate share of the costs to offset subsidies elsewhere. The FSA has assured that no operator will be required to pay more than the full cost recovery. The agriculture industry feels that there is a lack of transparency over the FSA's

running costs calculations and disagreements about appropriate cost inclusions. The FSA believes it is fully transparent and is subjected to external audit. FSA tenders the employment of veterinary inspectors to contracting companies which also adds cost and the contract of employment with the vets is another source of concern for meat processors. There is concern over independent auditing of FSA and over meat inspection charges which, when measured on a headage basis, are higher than in all other Member States of EU.

7.17 The European Food Safety Authority (EFSA) has published a report on swine which indicates that post mortem carcass inspection should be replaced by an audit system where food business operators (FBOs) may be able to take over some of the inspection roles currently carried out by FSA staff. FSA would still audit their performance. The actual inspection protocols are also being considered to make them responsive to the actual risks of health hazards from the specific animals being slaughtered. Carcass inspection has limited benefit now as bacterial contamination cannot be readily detected by visual inspection. EFSA will report on cattle and sheep in 2012.

7.18 Richard Macdonald's report to Defra recommended that compliant slaughterhouses should be allowed to have inspections carried out by third parties as allowed for by the EC Regulations. Such third parties would not carry the overhead costs of a Government Department and could result in a 30% reduction in charges.

7.19 There are many questions to be resolved before the FSA proposals on meat inspection and full cost recovery before they should be progressed. The Welsh meat industry must not be disadvantaged by a costly and inappropriate inspection regime.

Recommendations

R.20 The role of the Operational Delivery Partners Forum should be taken forward by a new Task and Finish Advisory Group encompassing inspections and records. This will provide a regular group opportunity for regulators to learn from each other; share inspection protocols; develop data sharing including removing barriers; undertake more risk based inspections to reduce the overall level / frequency of inspections; and promulgate best practice [Q].

R.21 Where Regulation permits, the Welsh Government must lead partners in further developing earned recognition as a critical factor in deciding which farms to inspect. Those farmers who have a track record of being fully compliant and avail themselves of training and support available should not be subjected to the same inspection frequency as less diligent counterparts [S].

R.22 The Welsh Government's RPW to work with EAW and other partners to develop and introduce a common competency framework for all farm inspectors; this to include training, monitoring, and accreditation [S].

R.23 The Welsh Government's RPW to introduce – within regulatory requirements – a simple check list (with an on-line version) for farmers to help them prepare for inspection. Other agencies could also follow this approach [**Q**].

R.24 The Welsh Government's RPW to organize with the FLS, on-farm events for farmers to explain inspections and in so doing improve farmer preparedness and reduce the fear factor [**Q**].

R.25 In future, when private veterinary practitioners are employed by government to undertake bTB testing / other inspections the private vets must be required to inform RIW in advance to enable a joint visit to be considered in every case [**Q**]. In the medium term this arrangement should become contractual.

R.26 The Welsh Government should work with the LBRO to deliver an annual leadership seminar in rural Wales for inspection bodies, commencing in 2012 [**Q**].

R.27 Work with LBRO to pilot a rural Business Workshop in 2012 for regulators and farm businesses to work together towards better regulation [**Q**].

R.28 The Welsh Government should work closely with Defra and the Scottish Government to bring pressure to bear on the FSA to allow an independent and transparent assessment of their running costs and to fully appraise alternative meat inspection models that will build on the EFSA recommendations [**S**].

R.29 All regulators should use the Cross Compliance fact sheet approach to communicate the essential elements of all regulations to farmers in a simple format [**M**].

8. Safeguarding animal health & welfare while establishing flexibility of movement

Disease prevention and control

8.1 Animal identification and movement controls have evolved over time to address an increasingly complex disease challenge. There is support from every level - although not always effective action - in the industry to protect animal health and welfare, in the most effective way possible, to prevent both endemic and exotic disease outbreaks and spread. The Foot and Mouth Disease (FMD) crisis in 2001, and to a lesser extent in 2007 as well as the Blue Tongue problem in the same year, live long in peoples' memories. 2001, in particular, proved how devastating an exotic disease outbreak can be to livestock, farming businesses, the wider rural economy and communities and a huge cost for government. Endemic disease such as bTB, is perhaps more insidious, but just as devastating for affected farms and a major expense for the Welsh Government in terms of implementing an eradication programme.

8.2 There has been an increased devolution of powers since 2001 along with the associated budgets and in April 2011 £16 million was transferred to Welsh Government from Defra to meet the annual costs associated with the regulatory delivery in Wales from the Animal Health and Veterinary Laboratories Agency (AHVLA). Increased responsibility extends to bearing the cost of exotic disease outbreaks in the future and is therefore easy to understand the priority of minimising risk in animal health and welfare policy. The cost, to Defra, of the 2001 FMD outbreak in Wales was £102 million. Animal disease does not respect administrative or geographical boundaries and a joined-up approach to policy on both sides of the Welsh border is essential.

8.3 The issue of 'Responsibility and Cost Sharing' looms large in the consideration of farming risks generally but particularly surrounding animal health and welfare. In essence, this means that the farming industry would bear at least some of the cost of a future outbreak of a major / exotic disease in Wales. This will be particularly important in future now that budget responsibility has transferred entirely to the Welsh Government. The EC raised the cost sharing issue during the CAP Health Check reforms in 2008 and it has been much discussed since then without any real clarity on the way forward. Insurance and mutual fund approaches may be possibilities. Relaxation of regulations is dependent on trust and earned recognition but ultimately raises the level of risk and it is reasonable to expect industry to bear some of the cost if problems result.

8.4 The delivery of animal health and welfare policies is complex; delivered primarily through AHVLA with input from other bodies/organisations. Some welfare investigations and prosecutions and market inspections are carried out by Local Authority Trading Standards (TS) officers. The Food Standards Agency (FSA) holds responsibility for ante and post mortem meat inspection in processing plants. The AHVLA has a memorandum of understanding (MOU) with many private veterinarians as Official Veterinarians (OVs) to undertake bTB testing, export certification, anthrax investigations and a range of other functions on behalf of Government. The MOU arrangement is under review and a tendered contract

approach to securing services is the likely future arrangement. Now that the Welsh Government has budgetary responsibility for the AHVLA services delivered in Wales, a more integrated and effective working relationship should result.

8.5 The Office of the Chief Veterinary Officer (OCVO) leads on policy development on animal health and welfare matters and has close working relationships with the industry. The Animal Health & Welfare Strategy Steering Group is an industry partnership with government that advises and reports on policies. bTB eradication policy has secured significant farmer support through close working, despite the trading restrictions. Three Regional bTB Eradication Delivery Boards have enabled farming communities to identify local solutions compatible with the government policy. The bTB Programme Board and the Industry Advisory Group for the bTB intensive Action Area in West Wales have all proved their worth. Farmers, however, would like more transparency in relation to herd bTB histories to inform buying decisions. A process has been introduced in Wales whereby farmers can apply a sticker to a cattle passport giving the date of the last bTB test that the animal was subjected to. This goes some way to addressing the concerns that farmers do not have enough information. However, because of data protection law it is not possible to give other herd owners full disease history.

8.6 Following the May 2011 election the Rural Affairs portfolio was subdivided which resulted in the OCVO Division being located in DESD under the Minister John Griffiths. However, matters of direct relevance to animal health and welfare including, responsibility and cost sharing, animal identification and movements, and LA relationship management remain within BETS and Deputy Minister Alun Davies. The separation presents an additional challenge to joined-up working.

The 6-day standstill rule

8.7 During the course of this study, by far the most disliked regulation was the 6-day rule. The regulation cannot be considered in isolation, as it is part of an interrelated group of regulations including animal identification, holding identification and movement tracking. Prior to the FMD 2001 standstill periods did not exist and long distance movements were responsible for significant spread of disease. The 6-day rule has evolved since that period when standstill periods proved essential in stopping the spread of disease. The lack of knowledge on the movements of sheep meant that the disease rampaged; control was in 'catch-up'; and eradication significantly delayed. Following FMD 2001, the requirement for standstill remained in place, initially a 21-day moving to 6-day period for most farmed ruminants (20 days for pigs). The 6-day rule is also in place in England while for many years Scotland has used the alternative of self-certified isolation facilities on farms which incorporate a 13 day standstill in isolation. There are significant cross-border movements of livestock in Britain, particularly between Wales and England, and it would not be practical to have different movement restrictions applying each side of the border. It is essential business that borders remain open to easy movement and trading.

8.8 'Standstill' was wholly appropriate in the time of disease crisis and veterinary opinion fully supports its continuance because, for diseases such as FMD, the disease spreads before symptoms become evident. Farmers question the merits of standstills in 'peace time' not least because implementation and control is very variable. The rule is irreparably damaged; it is broken regularly; imperfectly controlled, and is not trusted or supported by many farmers.

8.9 The 6-day rule restricts normal trading and consequently amendments and derogations have been permitted, including permitting the use of isolation facilities in autumn to enable the purchase of breeding rams and bulls. Paradoxically, the derogation to facilitate livestock trading also undermines farmers' faith in the rule; a typical comment made was, "If isolation facilities are acceptable for breeding stock, why can't we use them all year round?" Further concession to freer trading include the opportunity until recently for farmers to acquire additional County Parish Holding (CPH) number(s) to enable movement of cattle, sheep and pigs between different parcels of land within specific distances. This has added complication and confusion because different distances apply to different species. Further variations include Linked Holdings and Single Occupancy Agreements (SOA), the latter enabling a livestock keeper to move livestock over near unlimited distances.

8.10 Very many farmers interviewed in this study do not properly understand what has become a very complex set of rules. They are quick to spot significant loopholes, such as contact between newly purchased livestock (subject to the 6-day rule) with neighbours' livestock across farm boundary hedges while the neighbouring livestock can legally be sold immediately. Farmers are responsible for implementing 'proper biosecurity' which should prevent this happening but in reality this is piecemeal. Worryingly, farmers readily admitted falsifying records to make the dates fit the regulation and when challenged offered the explanation, "rules are making rogues of honest men".

8.11 The question must be asked whether a badly damaged rule is repairable or whether an alternative approach should be considered. There are possible alternatives. A Defra backed study, fuelled by the Macdonald report, is considering separation facilities as an alternative. The isolation facility is the established approach in Scotland and permitted in Wales and England in autumn and when animals return from shows. Perhaps a veterinarian certified indoor / outdoor facility, followed up by random on-farm checks and significant penalties for non-compliance, may be a sensible way forward. The compatibility of this approach with bTB eradication would have to be carefully considered. Resolution will only be achieved through an integrated approach to animal ID and movement controls as well as close working with Defra to agree an approach that can sensibly work across borders.

3-day movement reporting

8.12 This is part of the overall animal disease controls and also unpopular with customers. At face value this rule is not a major request i.e. the requirement to report all cattle movements within 3 days of the movement taking place. For traded stock both the vendor and the buyer are required to report the movement. Easier reporting is enabled through the internet, texting, telephone and written submissions to BCMS and in the region of 80% of movements are now reported

through the non-written routes. There is confusion amongst customers with some assuming a 3-calendar day limit rather than the actual requirement of 3-working days. And they then worry about weekend postal delays. Many farmers, probably of the older generation, prefer to write to BCMS although risking postal delays and ultimately penalties are not uncommon due to late reporting. Some lack confidence that there will be an accurate record of a telephoned or texted message in the event of problems. The biggest criticism is that the EC requirement is to report within 7-days while Welsh Government has strictly applied cross compliance on the basis of 3 day reporting. This is not the case in England and Scotland. It is presumed that in Wales the 3-day enforcement is rigorously enforced to maintain the exemplary record on disallowance. Most Member States do require 3-day reporting and a move to 7-days may not necessarily improve the problem of late reporting. Extending to 7-days would result in greater delays in restoring some animal movement in the event of an animal disease emergency, as the necessary veterinary Risk Assessment depends upon an accurate and up to date picture of movements. However, the farming industry may be content to live with this longer delay. The delay in reporting could also cause difficulties in terms of animal disease tracings in the event of a disease outbreak.

County Parish Holding (CPH)

8.13 The CPH reference number underpins a number of control systems as it is used to identify farmed holdings. Its primary purpose is to identify where livestock are located, as required by European Regulation for cattle, sheep, goats and pigs. The CPH identifier is the base on which livestock movement reporting regimes provide a system capable of tracing livestock through every location along the supply chain.

8.14 Wales has inherited a CPH and livestock movement reporting system that is no longer fit for purpose, which means it is not always easy to know where animals are moving to, or where animals have moved from. Several GB projects have left the rules unchanged, despite repeated calls for simplification. The Welsh Government is now directly accountable for any European Commission criticism, which could result in financial sanctions caused by a limited ability to accurately identify holdings as part of livestock traceability.

8.15 Transferring the responsibility for CPH allocation from RPW to the AHVLA is underway. The aim of the CPH Transfer Project is to design and build an efficient CPH allocation process within AHVLA. A second phase will need to implement the new CPH rules. A number of factors will be taken into account, including scope to remove Cattle Tracing System (CTS) links, SOAs and extend the use of isolation facilities, although OCVO input and decisions on standstills would also be necessary. Encouragingly, this project appears to be the starting point towards major change and improvement in livestock movement management and will progress in tandem with Macdonald developments on the same issue.

Cattle ID issues

8.16 Cattle births must be registered with BCMS within 27 days of the birth and failure to register births within 27 days is a common cause of a breach resulting in financial penalties. The necessity for this rule has been questioned on the basis

that all cattle leaving a holding must be in possession of a passport in any case. However, it becomes more difficult to accurately assess date of birth as the animal gets older which increases the risk of cattle 'clocking' (switching identities).

8.17 Cattle keepers are required, by regulation, to replace lost tag(s) within 28 days of being notified (at inspection) of the missing tag(s). Surprisingly, the failure to retag before the deadline is one of the most common causes of breach and penalty imposition. It is difficult to feel any sympathy for the farmer in this situation although perhaps the associated communications from Welsh Government need to be reconsidered.

8.18 Third party recording is permitted in Wales and the UK whereby livestock markets and abattoirs can report off-farm movements for their farmer customers and this would be a minimal additional task to their own reporting. However, few, if any, 'third parties' have exercised this option. A real-time movement recording database integrated with abattoirs and auction marts would be a beneficial development of the Animal Movements Licensing system (AMLS) database in terms of movement tracking, disease control and added value to herd management. AMLS and CTS are being developed towards real-time recording and the new cattle passports introduced this year is a starting point.

8.19 There are proposals to introduce bovine electronic identification (EID) which would remove the need for on farm record books if the central database is updated within 24-hours. EID is likely to be less problematic in cattle compared to sheep due to the difference in the animal, the systems and the management of cattle.

Sheep ID

8.20 The regulation of sheep identification has become complex and onerous. The requirement for accurate animal tracking is well understood given that sheep were the most significant vector for disease spread during FMD 2001. Critical reports following EC audits in the UK reduced room for manoeuvre and undermined the negotiating position. EID now appears to be non-negotiable. However, there are many aspects of its implementation that are not working and must be reconsidered. The current problems with sheep identification are numerous and include:

- The regulation and the derogation is complex including the specifics of different ID tagging and colours for different ages of sheep, locations and circumstances of tag loss and derogations including third party reading and slaughter lambs.
- The technology is not well-proven when applied to livestock identification; even the most efficient operators are not able to read / record all numbers irrespective of type of software / reader.
- 'Zero tolerance' was imposed by the EC meaning that anything less than 100% tag read accuracy constitutes a breach and associated penalty.

- Sheep lose tags irrespective of type of tag or competence of operator during tagging. Large hill flocks in Wales / UK are more prone to loss. The longevity of tags in breeding sheep, in a readable state, is uncertain.
- There would appear to be variation in the success of tag types/manufacturers. Tag manufacturers provide guidance for their own product while the Welsh Government provides general guidance. Where evidence has been found of problems with specific tags, Rural Payments Agency (RPA) have raised concerns with the company involved. Tags do have to pass ISO (International Organization for Standardization), EU and UK approval processes.
- There is resistance to tagging sheep before 9-months of age, as specified in the regulation, with a preference for tagging when sheep leave the holding because of the tag loss issue.
- The derogation for finished lambs (only requiring a conventional tag depicting flock number) has created confusion. Auctioneers criticise the 'third-party-reader' derogation as it has added cost for them now requiring more staff in markets.

8.21 EID alone, even if 100% reliable in every respect, is incomplete in the efficient monitoring and recording of sheep movements. There is no national sheep database; large volumes of paper are required to accompany sheep movements. These Animal Movement Licences (AMLs) are required by auctioneers and abattoirs and Trading Standards. The paper chase involves unnecessary delays and creates opportunities for errors. Many farmers are unaware that licences can be emailed and faxed. The Scottish Government is pressing ahead with its own database while the Macdonald report recommended a single database. Industry bodies and agencies have similarly identified the need for a common approach and a willingness for partnership working. The industry preference appears to be for Welsh Government to work closely with Defra to ensure that whatever system or systems result are compatible with cross-border movement. Both GB and 'Wales only' database approaches require thorough evaluation.

8.22 The Welsh Government and the UK as a whole could be vulnerable to disallowance due to the sheep EID regulation which is widely regarded as flawed. An EU audit could potentially expose failure to meet 100% compliance.

Casualty stock disposal

8.23 Animal by-products regulations ban the burial of fallen stock on farm land largely due to the concern over the spread of disease, particularly Transmissible Spongiform Encephalopathys (TSEs). The TSE risk would appear to have been significantly downgraded in relation to the risk of sheep succumbing to BSE. The only practical option now available to most farmers is to pay for a licensed collection service. Criticisms of the service include the cost, delays and the biosecurity risks which can be due to poor practice by the collector (leaky vehicles etc). It is not unusual in extensive hill farming systems for casualty stock to remain undiscovered until the carcass is already significantly decomposed and it can be impractical to transport it to a collection point, quite apart from the associated

biosecurity risk. Following effective lobbying by the Welsh Government, the EC is likely to sanction the use of specific on-farm containment systems in the near future which will alleviate the situation although this is only likely to be a financially viable option for large farms or if a number of neighbouring farms combine resources. Regulations currently only allow for burial in extreme circumstances but do not apply in Wales.

Recommendations

R.30 OCVO must continue to work with the farming industry to ensure that use of the bTB passport sticker system becomes common practice to assist farmers' buying decisions [**Q**].

R.31 The Welsh Government must work closely with Defra, the EC and the farming industry, to derive a fair and workable system for responsibility and cost sharing in the event of a major disease outbreak, to ensure that regulatory simplification does not pose too great a risk to the Welsh Government budget [**M**].

R.32 The Welsh Government must rapidly progress the CPH transfer project to derive a sensible, credible, simplified, easily understood and implemented system of movement controls. The project must aim to remove multiple CPH, SOA, CTS links and the multitude of existing variations which add unnecessary complexity at present [**S**].

R.33 The issues around the 6-day standstill rule must be addressed and resolved by the Welsh Government and the farming industry working together. All options must be considered including the Macdonald modelling on separation and isolation facilities, farm-to-farm movements and also the Scottish Government's approach. Solutions must permit efficient cross border movements and be easily understood by farmers [**Q**].

R.34 The Welsh Government should lead on negotiations with Defra and the Scottish Government to determine the extent of the problem of breaches to 3-day movement reporting and the causes of the problem. There must be consideration of the legislative position with Defra and the Scottish Government and the reasons behind the apparent more rigorous application of the cross compliance matrix in Wales. The potential downside in relation to additional delays in restoring animal movements in the event of disease outbreak must be fully discussed with the industry [**S**].

R.35 The Welsh Government should work with the other administrations in the UK to continue to lobby the EC to review the sheep EID legislation as many aspects of this regulation are proving unworkable for farmers [**S**].

R.36 The Welsh Government and industry partners need to provide farmers with better guidance and training on EID tag application to reduce loss rates [**Q**].

R.37 The Welsh Government should work closely with Defra and industry groups / partner organisations to develop a national sheep database appropriate to Welsh industry needs to replace the current mainly paper based systems. Ultimately, the

database should be able to share information and upload information from on-farm flock management systems [**S**].

R.38 The Welsh Government must continue to work with Defra and the other administrations to thoroughly investigate and research all of the options for on-farm carcase containment [**S**].

9. Simplifying Records

Keeping records

9.1 Record keeping and inspection is an essential part of regulatory control and good business practice. Examining written evidence and cross checking with database or centralised records and / or physical inspection of land and livestock is fundamental to many farming regulations. On most farms, records are still laborious and paper based. The move to electronic records is gaining momentum but for the foreseeable future both options will have to be available to farming customers.

9.2 Replicate records is a regular complaint amongst customers. Different authorities can require inspection of the same information, such as Trading Standards and Farm Assurance requiring inspection of movement and medicine records. One record suffices but it is not always clear because slightly different record books can be provided by the different bodies. Herd and flock registers have been provided by Welsh Government at no charge in the past, while farming unions were selling their own version. Sometimes information in excess of legislative requirements is requested. Increasingly, more farmers are interested in keeping records for management purposes but this should only be an option. There has been some success at rationalisation for example the acceptance by Welsh Government of one soil resource management plan for different schemes. The failure of systems to talk to each other has added to the recording burden for customers, for example the SAF requests detail on cattle numbers while BCMS already hold this data. It would appear that the CTS database may not hold the data either in the detail required or in a format that allows direct cross reference with Welsh Government customers.

9.3 Record book detail typically changes with successive reprints and it is not always clear why. The design changes can make the recording more onerous (e.g. the separation of medicine usage and medicine purchase record in the FAWL record book; also the removal of running total columns/rows in the Sheep & Goat Record Book). There does not appear to be systematic customer engagement in the design and proofing of record books.

Recommendations

R.39 Customers should only be required by regulators to maintain records to meet legislative requirements while they should be enabled to keep additional records if they wish to (e.g. running totals in the sheep record book) [S].

R.40 Record keeping should be regularly standardised and this should be achieved through round table meetings of inspection bodies to share inspection protocols and recording requirements, together with proofing by farmers. A task and finish group on inspections and records (see R. 20) should take the lead in advising the Welsh Government and agencies on non-essential record keeping on farms and where duplicate/replicate records must be removed [Q].

R.41 Data sharing has been impeded because of copyright issues, data protection law and incompatible databases / systems. The Welsh Government

must overcome the obstacles to data sharing thereby reducing the volume of data and the occasions on which exactly the same data is requested from farmers [**S**].

R.42 Electronic record keeping should be made available for all schemes / regulations and encouraged but should be optional. There should not be the requirement to keep paper copies as well.

Secondly, the opportunity to reduce farm inspection visits through remote inspection, as is now the case with IACS land inspections, should be extended whenever possible to other inspections, for example monitoring and checking farm records [**M**].

10. Improving the understanding of environmental regulations

The importance of the farmland environment

10.1 There have been various attempts to measure the value of Wales' environment and there would appear to be some consensus around £6 billion (source: EAW). The environment also provides one in six jobs in Wales.

10.2 The list of farmland related environmental priorities is growing including key concerns such as biodiversity; water, soil and air quality; climate change, carbon management and green house gas emissions; and renewable energy generation. Glastir is the Welsh Government flagship scheme to address these challenges through farmer action across Wales. The scheme, representing a major break from the previous approach to sustaining and improving the environment, has been contentious. While the EC warmly welcome the approach it is a radical change for farmers who believe the scheme's introduction was rushed. Many fail to understand the basis of the relationship where the Government – on behalf of the taxpayer – is the customer for environmental services provided by the farmer for which the farmer is compensated for the cost of delivery (income foregone and/or costs incurred).

10.3 Environmental regulation is largely dictated by the EC including two major pieces of legislation: the Habitats Directive and the Water Framework Directive. The Welsh Government is required to ensure effective implementation of European Directives and this is challenging. There is a risk that implementation failures, for example a lack of progress against targets, can result in infraction by the EC which brings with it a significant financial penalty.

10.4 A recent river walks survey conducted by EAW in Wales, to further understand the causes of pollution and the actions to be taken, have identified 132 water bodies that failed to meet WFD standards because of agricultural pollution. In 2009, 67% of water bodies were failing. EAW would like to see 'basic standards' communicated to all farmers through the Welsh Government and partner organisations when on farm. During evidence gathering, concerns were expressed about the risk of gold plating of environmental legislation in Wales and also the perception that Welsh Government 'blindly' follows Defra. Concern was also expressed that there is insufficient risk based and targeted approaches, for example in the implementation of Nitrate Vulnerable Zones (NVZ) legislation.

10.5 The UK Government's Red Tape Challenge is considering environmental regulations including waste, chemicals, industrial emissions, energy, air quality, permits, noise and biodiversity. The Welsh Government is working closely with Defra and wishes to maintain regulatory flexibility. The Welsh Government's Natural Environment Framework may encompass some of the biodiversity simplification (conservation management of protected sites) that will result from the Red Tape Challenge work.

Safeguarding environment

10.6 Farmers are key custodians of the environment and are proud of that status but do not always see the full picture. They tend to be more aware of landscape

and wildlife benefits but less so of dirty water discharge into streams, as commonly witnessed during the EAW survey.

10.7 Environmental farm inspections are actually fewer in number than farmers appreciate; EAW report that only 4% of farms are inspected annually including Nitrate Vulnerable Zones, groundwater inspections and as part of joint visits with the RIW on cross compliance. In addition, the CCW visit around 100 farms annually.

Environmental advice

10.8 There are many sources of environmental advice in Wales but also concerns about inconsistency in relation to quality. Farmers tend to trust the fertiliser salesman more than the regulator probably due to a relationship built up over time and also because the sales person will often be involved in farming him or herself. Consultants vary in their skill set; those offering fertiliser and soil nutrient advice should be approved under the Fertiliser Advisers Certified Training Scheme (FACTS) but it appears that not all of them are. Farmers have cited some environmental regulators as authoritative enforcers and somewhat adversarial rather than advisers and promoters of best practice. It is a difficult line to draw for an inspector between implementing controls effectively and offering advice on best practices. The EAW have successfully developed a technical framework whereby they train, mentor and accredit their regulatory staff on ability and experience which has significantly improved relationships with customers.

10.9 There is also a lack of clarity about where to seek advice. The Scottish Government has successfully brought environmental bodies under a single umbrella [Scotland's Environmental and Rural Services (SEARS)] and offer a 'single door' point of contact for customers. This one-stop-shop is reportedly inclusive of many of the independent bodies and the RIW equivalent in Scotland. The DESD Minister has recently given the green light to the merger of CCW, EAW and Forestry Commission (FC) in Wales to pool resources and offer a better (one point contact) service to customers built on 'Working Smarter' principles and is also likely to result in fewer inspections. This must be a welcome development although the scale of the task will be significant and it will be important to investigate effective ways to incorporate the independent bodies. In terms of written communications, the EAW on-line NetRegs website is exemplary and should be adapted for other regulations. The RPW cross compliance factsheets approach was also endorsed by the Environment Workshop.

10.10 Farmers are fearful of environmental regulations and see them as an obstacle to developing their businesses. Unfortunately, too many farmers believe that they have to choose between food production and the delivery of environmental benefits, whereas in reality good business and a healthy environment are perfectly compatible. Compliance with regulation, far from being a net cost to businesses, can often enhance and add value. As mentioned elsewhere in this report the business cases for better regulation are seriously lacking and must be developed. The Linking Environment and Food (LEAF) assurance scheme has worked to prove such benefits. The Welsh Government is developing a holistic approach to the environment through the 'National Environment Framework' (NEF) which values the environment on the wide range of benefits that it provides to

society rather than a purely regulation/compliance focus. NEF is at an early stage of development and must produce many business case studies in support of better regulation.

10.11 Farmers also cited environmental regulations as amongst the most complex. The Integrated Pollution Prevention and Control Directive (IPPC) aims to prevent, reduce and eliminate pollution by prioritising efforts on the most significant industrial and agricultural activities. Pig and poultry producers are impacted by the regulation but found the use of technical language, including chemical formulae, virtually impossible to understand. The EAW's Netregs approach is simple to understand and is to be commended.

Nitrate Vulnerable Zones

10.12 3% of the agricultural land area in Wales is designated as an NVZ compared to 24% in Scotland, 70% in England and 100% in Northern Ireland, which imposes additional regulations on some 1,000 Welsh farmers. A concerted communication campaign was undertaken and a capital grant scheme introduced to assist farmers to improve their slurry and manure storage to comply with NVZ rules. Worryingly, many farmers within the zone claim ignorance of this fact and consequently the regulatory responsibilities; the grant uptake has been disappointing. The NVZ regulation does allow some flexibility in implementation and the EAW think that the Welsh Government should take more advantage of the flexibility; for example dividing the NVZ farm population into low and high intensity farms with reduced recording required from the less intensive group. There is also unnecessary duplication and confusion between the 'Silage, Slurry, Agricultural Fuel Oil' (SSAFO) regulations and the NVZ regulation. There are risks of gold plating in how the record keeping requirements are applied in NVZs which might be addressed by a more risk based approach. However, these issues are now being considered and consulted on.

Recommendations

R.43 Environmental 'water' priorities (basic standards) should be incorporated into all environmental advice communicated on-farm by all of the organisations delivering regulatory advice and controls on farms [S].

The basic standards comprise:

- Slurry stores must be fit for purpose, both the capacity and the quality of the store.
- Correct management of slurry application to land and nutrient management.
- Correct disposal of chemicals e.g. spent sheep dip.
- Prevent poaching of river banks.
- Avoid soil compaction.
- Manage river banks.

R.44 The application/implementation of environmental regulations in Wales (including NVZ) must be reviewed to ensure that flexibility has been considered;

gold plating avoided and the Defra approach has not been routinely adopted when a different approach may be more appropriate in Wales [**S**].

R.45 A risk based and targeting approach should underpin the application of environmental regulations in Wales [**S**].

R.46 All inspection bodies need to revisit staff training and competencies. Discussions should take place with the EAW to learn from their successful approach [**S**].

R.47 The Single Environmental Body would appear to offer many benefits to customers. An emphasis on simplification and 'Working Smarter' must not be lost. The mechanism for engaging with environmental bodies including NGOs needs careful consideration and the SEARS approach needs full consideration [**M**].

R.48 NEF is starting to approach environmental regulation from a business model perspective. This is commendable and many robust examples are now needed to demonstrate that good environmental practice is fully compatible with food production while enhancing business performance and profitability [**M**].

11. Enabling diversification

Diversification in Wales

11.1 The Farm Business Survey (FBS) collects detailed physical and financial information from approximately 550 farm businesses across Wales and periodically reports on income (profits) and output (revenue) from diversified activities. The most recent data from 2009 -10 records that approximately 24% of Welsh farms undertook diversified activity in that year, compared with 20% in 2006-07 and compared to 50% of farms in England in the same year.

11.2 The average diversified output in 2009-10 was £7,100 (averaged only over those farms with diversified activity). Diversified output represented less than a quarter of total farm output for 99% of diversified farms in Wales. Surprisingly, the most common activity is renting out of farm buildings for non-farming use.

11.3 Participation in diversified activities appears to vary for different farm types and sizes, with dairy farms less likely to participate than grazing livestock farms and 'Very Large' or 'Very Small' farms relatively more likely to undertake a diversified activity than other farm sizes.

11.4 The food industry is very important to the Welsh economy and some farmers have chosen to add-value to primary produce through diversifying in to food processing. Financial support has been available through the RDP to support this activity and the new government strategy (Food for Wales Food from Wales and the Farming and Food Sector panel) will encourage future development. The Welsh food industry has developed significantly in the past 10 years and has acquired a quality image supported by Protected Geographical Status (PGI) beef and lamb and the very many True Taste award winning businesses and products. Branded products, including organic food, is an important form of diversification for some and has been supported by the Welsh Government. During the course of this study, farms in the 'added value food' category appeared to be less fearful of regulation, in part because they are closer to the end customer who often imposes more stringent requirements. However, some interviewees cited planning problems as being restrictive to their business plans.

11.5 Clearly diversification is not for everyone, it is a choice that should not be prevented through regulatory obstacles. Policy makers and regulators should always consider the impact of proposed policies on different categories of farmers; tenants for example can risk contravening their tenancy agreements if they wish to pursue diversified activity such as building conversion or solar energy.

11.6 The Welsh Government's Visit Wales (previously the Wales Tourist Board), has a proven track record in supporting diversification and currently the Tourism Investment Support Scheme (TISS) offers grant aid to both farming and non-farming businesses and the eligibility criteria are easing (3 accommodation units will be considered for support in future compared to a minimum of 5 currently).

Planning

11.6 For many, diversification requires planning consent and this appears to be the most common complaint from farmers. The Welsh Government's planning policy leads have worked to improve planning outcomes for customers. The revision of Technical Advice Note (TAN 6 - Planning for Sustainable Rural Communities) has introduced the concept of a rural worker which opens up wider opportunities for businesses to diversify. The DESD Minister has recently formed an 'Independent Advisory Group' to look at the structure of how we deliver planning services in Wales. Research is also underway into delivery of planning in protected landscapes (National Parks and Areas of Outstanding Natural Beauty). The BETS Minister has recently established a task and finish group to look into rural depopulation and planning / regeneration issues are being considered.

11.7 Lengthy delays and perceived inconsistencies between Local Planning Authorities and incoherent advice have all been cited by farmers as problematic. The frustration for the Welsh Government planning policy leads centres on the inconsistent implementation by 25 Local Authorities (including National Parks) despite stakeholder engagement and training provision. Inconsistency extends to a variety of differing application packs and forms with no standard template. There are exemplars of good practice with some LAs providing free surgery type services for early stage consideration of planning proposals. The Welsh Government is finalising guidance for LAs to assist them in offering advice pre-submission of a planning application. An on-line standard planning application form (1APP) has been developed and needs to be promoted across all LAs. Farming Connect planning surgeries provide guidance on a wide-range of planning issues.

11.8 Some Planning officers raise concerns that aspects of the policy allows local discretion (e.g. rural worker definition in TAN 6) which leads to a more, or less, restrictive interpretation depending upon local circumstances. The Welsh Government has recently issued further guidance and training targeted specifically at Development Management Officers, agents and the farming unions. Both planning policy leads and local planners have voiced concerns over the quality of applications submitted, a consequence of the 'mixed bag' of planning consultants providing services to the public. The Killian Pretty Review of planning in England in 2008 recommended establishing an agent accreditation scheme and some LAs in Wales are considering this approach.

11.9 Much concern is expressed about the number of supporting surveys and reports required to support a planning application, many of which are as a direct consequence of EC environmental legislation. Wildlife surveys and in particular bat surveys come in for the most criticism. The study of bats appears to be complex with many species dependent on a variety of different environmental conditions. The surveys are both seasonally and nocturnally dependent. Even so, there appears to be lengthy delays waiting for a survey and the cost can be substantial. Bat surveyors are specialist operators licensed by CCW. It is unclear whether a lack of candidates or a lack of training provision is restricting the service provision.

Recommendations

R.49 The Welsh Government should continue to encourage diversification particularly in the food supply chain. Any diversification should be market led and

supported by a business plan and should not be dependent on Welsh Government financial support e.g. organic food. [S].

R.50 Visit Wales should complete the changes to TISS as soon as possible and publicise the scheme widely. Signposting to, and perhaps incorporation of, planning guidance would be a useful addition [S].

R.51 Visit Wales needs to be clearer in its communications to farm businesses so that farmers can make informed decisions on whether to diversify. Visit Wales also needs to survey customers for feedback. Data publication on service provision and budget spend would increase transparency [S].

R.52 DESD of the Welsh Government must progress the 'Independent Advisory Group' to look at the structure of how planning services are delivered in Wales [S].

R.53 DESD of the Welsh Government should take forward, with partners (LAs, National Parks), the recommendations of the report on the research project, 'Delivery of Planning in Special Designated Areas' [Q].

R.54 DESD of the Welsh Government must ensure the adequate reach of training provision, either directly or indirectly through LAs, extending it to all planning officers. This will ensure a thorough and consistent understanding of regulations and instil confidence and a common understanding when officials / officers communicate with farmers [S].

R.55 DESD of the Welsh Government should work with LAs to develop consistency in planning application forms and through implementing, monitoring and refining the on-line (1APP) approach if necessary [S].

R.56 DESD of the Welsh Government should work with LAs to encourage best practice including finalising and updating, as necessary, the pre planning guidance and also extending the provision of free planning surgeries for applicants at the exploratory stage of proposals [S].

12. Developing Customer Service

12.1 Throughout the report there are examples of the need for customer service within a complex chain of participants and a fragmented industry. In this particular chain there are both internal and external customers. The Farming chain is not directly parallel to a competitive service industry. But, during interviews and meetings with government and agencies there was little understanding of the concept of providing consistent service to the end customer.

12.2 Currently standards of service may be seen in letters, telephone responses, timeliness and within knowledge of key front line staff. All are varied and range from excellent to sometimes poor or even hostile.

12.3 The high standard in any benchmarked organisation without exception stems from the top where leadership must be seen to develop and maintain a high standard of customer service in measurable ways such as courtesy, attitude, clarity, communications, accuracy and timeliness - whether spoken or written.

12.4 The task of improving standards of customer service internally and externally is substantial and its extent and programme of improvement must not be underestimated.

Recommendations

R.57 The Front Office function should provide a one-stop-shop facility for customers, covering a comprehensive range of Welsh Government services and policies for farmers and others in rural areas. This newly defined functional role should bring together the existing Front Offices, the FLS, Farming Connect and FAS under one management **[M]**.

R.58 The geographical location of the one-stop-shops should provide easy access for farming customers and should meet the demands all year round and during peak periods. There is currently a gap in provision of service in both North East and South East Wales (see Annex 5) and that gap should be filled **[M]**.

R.59 Ensure that officials who engage directly with farming customers have a real understanding of farming, gained through direct experience and/or specific ongoing training. Staff must receive timely updates on schemes and regulations and accurate and succinct desk instructions must always be available **[M]**.

R.60 Establish a Task and Finish group to improve communications and develop customer service – both to a high standard **[M]**.

R.61 The format and tone of letters sent to farmers, must be significantly improved and include the use of farmer's language. Quality assurance including peer and independent review must be a standard part of the process **[M]**.

13. Comparing ‘Working Smarter’ with ‘A report on better regulation in farming and food businesses’ (Richard Macdonald report)

13.1 Working Smarter shares the same overall objective of the Macdonald report which is to advise Government on a new improved approach to regulation from the farmer’s perspective.

13.2 Macdonald cast the net very widely by inviting representations on any burdensome regulatory issue. The industry, being more varied in England, including extensive arable and horticulture, also widened the scope of Macdonald. Working Smarter, with a far tighter timescale, restricted the study to farming related regulation up to the point of processing which excluded food regulation, transport, all health and safety, tenancy law, agricultural labour and animal feed laws. One exception was the subject of meat hygiene inspections which featured in both studies and reached a similar conclusion that the current FSA cost recovery proposals need significantly more work and consideration. Both Working Smarter and Macdonald were also demand led and consequently some areas of farming related regulation feature little in this report simply because they were not raised during evidence gathering for example common land legislation. Excluded regulations, either intentionally or because they were not raised, does not imply any less importance and laws such as health and safety is a constant priority.

13.3 In common with Macdonald, Working Smarter endorses close partnership working with the industry and more targeted / risk based inspections (earned recognition), which encouragingly is already underway in Wales. Reducing paperwork at every level is a priority, from the 3,000 pages of information that can be sent to Welsh farmers every year to duplicate record keeping for different control bodies. Rationalising inspections through effective data sharing is a strong theme in both studies.

13.4 Planning features in both studies but with a different emphasis. While Macdonald makes recommendations on specifics including permitted development and prior notification as well as training, Working Smarter focuses on planning system transparency and achieving a consistent approach in the understanding of regulations, much improved training and improving the quality of planning applications. Responding to different priorities, Macdonald also makes recommendations on horticultural polytunnels, village green and footpaths.

13.5 Under the ‘environment’ heading, Working Smarter welcomes the development of the Single Environment Body as a single point of contact for customers and a mechanism for simplification but cautions that a thorough impact analysis must be undertaken. Similarly Natural Environment Framework has merit but must at an early stage produce many business case examples to both adequately explain the concept and prove the business benefits of better environmental compliance. Prevention of water pollution on farm is prioritised in Working Smarter while Macdonald encompasses more issues including abstraction and coastal water issues. The avoidance of ‘gold plating’ of NVZ regulations in Wales is promoted; in England NVZs are much more extensive and there are many more recommendations. Waste and energy laws and the associated waste

permitting system was a focus for Macdonald but was not raised as problematic during evidence gathering in Wales.

13.6 On CAP, Macdonald recommends more risk based assessment, advancing on-line tools including remote sensing, simplification (including mapping system), paying Single Payment to active farmers, and outcome rather than process based cross compliance as well as removal of specific SMRs and GAECs. Working Smarter also recommends rapid progress to on-line applications and processes, payment of Single Payment only to active farmers, more effective working with stakeholders, the avoidance of gathering information not required by legislation, a smarter approach to scheme information provision and improved customer service. Macdonald promotes group claims for commoners claiming Single Payment. This approach is already underway in Wales with the Glastir Commons element.

13.7 Animal identification and movement proved to be the biggest issue for farmers in Wales. The need for more availability of information on Bovine TB histories is endorsed and rationalising the complexities of the CPH identifier system. Alternatives and improvements to 6-day standstill and 3 day movement reporting must be researched. The need to lobby Europe to resolve the problems of sheep EID and the rapid introduction of a national sheep database is emphasised. Macdonald largely prioritises the same issues with specific recommendations on freer farm to farm movements, electronic reporting and use of separation facilities. The fact that there are significant movements of livestock across the Welsh border as well as many farms straddling the border with England emphasises the priority to reach agreement with Defra on a workable policy on animal movements.

13.8 The Welsh Government is in many ways already an exemplar of best practice towards better regulation in the way it offers more support to farmers towards regulatory compliance compared to Defra. Services such as Farm Liaison Service, Farming Connect and the Gwlad publication have been widely praised in this respect. The work of the Red Tape Review Group in Wales during the last Welsh Government made early progress, including rationalising inspections on farm and this can now be built upon.

13.9 Macdonald details 215 recommendations while Working Smarter totals 74. However, it is not the sum total of recommendations that matters; it is the willingness of Government, partner organisations the farming unions and the farmers themselves to act on the recommendations that is really important in bringing about a better regulatory future. Essentially, both the Welsh Government and Defra must work closely to implement change and adopt a similar approach when this is in the industry's best interest such as cross border issues.

14. Encouraging Business Growth

14.1 It has been highlighted that the Farming industry is fragmented and it should be regarded with greater definition of segmentation for future planning and growth i.e. by size of holding, by product or enterprise (sheep, beef, dairy, arable). There is a danger in embracing all farming as one. The owners / land managers need to be regarded by their own definitions and ambitions.

14.2 There is a desire for business growth from those who have such ambitions and who see opportunities for expansion and diversification. Equally, there are those farmers who may not have ambitions to grow. All need to manage their holdings profitably by increasing productivity including seeking to reduce costs, which include time wasted on excessive red tape.

14.3 To measure increased profitability there are key indicators such as a profit and loss account, managing cash flow, gross and net margins along with output per unit. This is why there must be careful application according to a clearer segmentation of holdings and product. As in many industries, the largest 30% account for 70% of turnover. There is nothing wrong with that; it simply needs to be recognised.

14.4 We must assume that food production will be a priority for years to come and therefore support services such as Farming Connect and its array of knowledge transfer services must continue. Producing and promoting the supply of Welsh food to the supply chain – including within Wales – is an important avenue for business growth. This will be further explored by the Farming and Food Sector Panel.

14.5 The Welsh Government must further encourage and support succession in farming; the younger generation are more likely to enter the industry more educated and better able to take advantage of market and technological opportunities and less fearful of regulations. YESS is commendable because since its inception in 2009 approximately 250 young farmers have entered the industry; many more applicants are waiting in the wings.

14.6 More students are applying to take up agricultural courses and there is a high return in terms of those graduating entering the industry, indicating that they see a bright and encouraging future. In this context there is a risk in seeing the average age of farmers as older than it actually is. The reason is that surveys and census data record the person with principal control of the farm business and ignore others, including younger family members working in the same business.

14.7 The Welsh Government has a role in encouraging business growth by further developing the Support Schemes to advise, not hand hold, those with ambitions. Government also needs to have its own management succession in place to ensure that there is adequate training and development of knowledgeable staff to continue this work. This study has revealed that all staff working in farming and countryside policy development and delivery are more valued and respected by customers if they have a deep understanding of the industry. This fact should not be ignored.

14.8 The lack of universal fast broadband connections in some areas of Wales is an impediment to business growth and will impact on online systems / application processes planned by the Welsh Government for 2014 if not urgently addressed. Since 2005, the public has been able to self-register Broadband not-spots. The Broadband Support Scheme provides a £1,000 grant to residents, businesses and third sector organisations towards the set-up costs of a connection with a minimum eligibility threshold of 2Mbps. The Next Generation Broadband for Wales policy will seek to ensure that all residential premises and businesses will have access to next generation broadband by 2015, with 50% or more having access to 100Mbps.

14.9 CAP reform in 2014 is entering the intense negotiation stage and the prospect of paying CAP support only to active farmers has been proposed despite the complexity of satisfactorily defining an active farmer. The Welsh Government should firmly back the proposals as there are those who receive CAP payments simply through previous entitlement and do not sow a seed.

14.10 Counter arguments were very rarely put forward to contradict the direction above but those who did so pointed out that each farm is an SME. This is correct but SME's need the right business environment, including better regulation, encouragement for diversification and improved customer service in which to grow and to do so profitably. There is clearly no control over external factors but the Banks see the Farming, Food and Agricultural sectors as low risk in the present economic environment.

Recommendations

R.62 Review the way the agriculture industry is currently segmented in relation to policy development and the regulatory framework. There should be an improved method of segmentation which recognises differing ambitions [Q].

R.63 Ensure the industry key performance indicators are explained in farmer language, communicated effectively and as a result, are widely understood [S].

R.64 Encourage the next generation through Government working more closely with Agricultural Colleges and enhancing support schemes e.g. FLS, Farming Connect and YESS. The mentoring scheme under YESS should be considered as a model for wider application to encourage business growth [S].

R.65 Ensure both adequate training and management succession are in place in the Welsh Government to continue supportive advice, enhance policy development and implement appropriate regulation [Q].

R.66 Together with Defra and the other administrations, to lobby the EC to ensure payment of the Single Payment is made to active farmers only [S].

R.67 The next generation broadband programme must be progressed rapidly to avoid the many disadvantages suffered by businesses in not-spots [M].

R.68 The growth and future development of the farming industry in Wales must be a shared responsibility of all concerned. In view of their influential role, the

farming unions must advise and support the industry in encouraging its growth with regulatory compliance [S].

15. Delivering better regulation

15.1 There are many aspects to ensuring better regulation is communicated and delivered, including the managing of risks and measuring success which are both covered in chapters 16 and 17.

15.2 How farming is conducted today with the major issues to be addressed is outlined in chapters 2 and 3. The main areas for recommendations are described in chapters 5 to 12 and 14, 15, and the Welsh Government's direction is compared with Richard Macdonald's Report on better regulation in chapter 13. The farming industry in Wales is fragmented with some 30 Stakeholder Groups, over 50 Agencies and almost 3,000 pages of information per annum which potentially could arrive on a farm. It was not possible to record the number of other meetings called in any one month or year. Not only is the industry a fragmented one; so is its co-ordination.

15.3 The first step towards better regulation is to ensure that the farming industry is fully engaged with policy makers, agencies, farming unions and regulators. The defence is that stakeholder groups exist and that advice is sought both formally and informally by government. But there is no consistency of approach and there is an element of consulting but not listening; some stakeholder groups have not met for months. This communication gap should result in setting up key Task and Finish Advisory Groups with terms of reference on which the relevant parties sit, demonstrating partnerships, owning responsibility, providing delivery and facilitated by Welsh Government. Parallels already exist such as the Council for Economic Renewal and the newly formed Group for Skills. Plus, on the Welsh Government website, www.inspectwales.com which describes principles of working and inspecting collaboratively.

15.4 Putting the recommendations in place to ease red tape and towards a more profitable industry requires both farming unions and the CLA to be on board and playing their full role in the task and finish groups alongside independent farmers and agencies with the Ministers and officials concerned. This is in addition to their own regular communications with Ministers and officials. The farming unions and CLA will have the responsibility in this way of playing their part in leading and managing better regulation and of supporting the changes in the industry towards greater profitability, fully recognising and accepting the farmers' defined obligatory and contractual position.

15.5 The need for existing Stakeholder groups should be reviewed by the Directors concerned, maintaining those groups which are effective with some disappearing completely and some becoming Task and Finish Advisory Groups. The whole approach to stakeholder group development and working with government needs to be reviewed and redefined so that a systematic approach is followed to ensure that best use is made of resources.

15.6 The Welsh Government has no jurisdiction over independent Agencies but its own Agencies should be periodically reviewed in the same way as Stakeholder Groups.

15.7 It is crucial that, wherever possible, the Welsh Government and the farming industry present a unified front to the EC and that Wales is involved at the earliest stages – both with Defra and the EC – on any new initiative or policy.

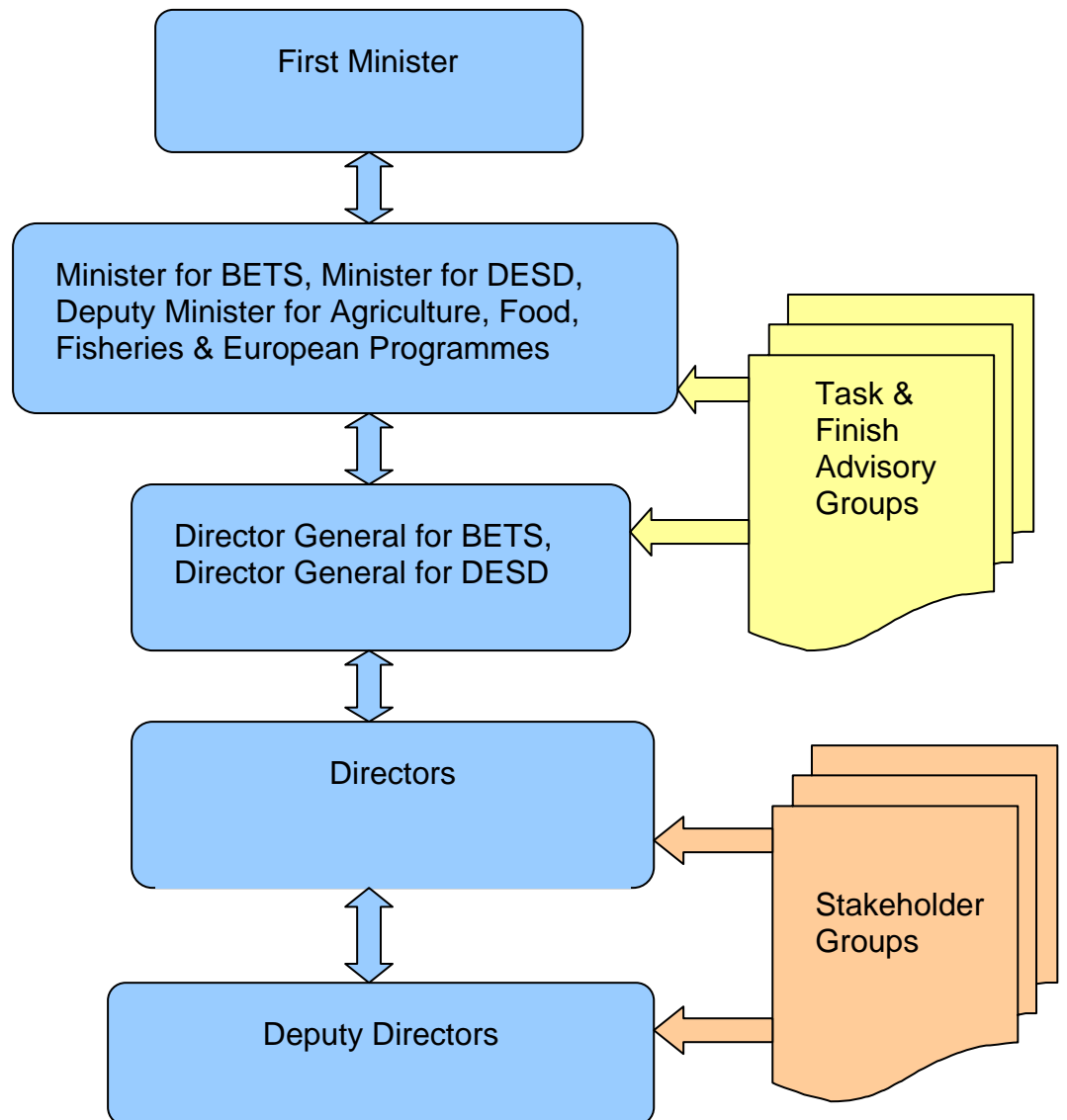
15.8 Farming does not have the equivalent of other industries in terms of a Consortium or Federation. This has been considered but rejected as the content would be too widespread. The Deputy Minister for Agriculture should call annually and address the equivalent of an AGM to describe and debate the Government's Agricultural policy into which the Task and Finish Advisory Groups would have submitted their agreed proposals. The Welsh Government is the paymaster and regulator and should lead the way.

15.9 The regulatory process in terms of developing, designing, implementing and control of regulations could be improved. The Welsh Government routinely carries out Regulatory Impact Assessments as part of the development process but this does not always consider adequately the likely burden (including administrative) on the customer. Similarly, administration and control processes have developed over time usually to minimise risk and they are not always the most efficient. The LEAN methodology is a production practice that considers the expenditure of resources for any goal, other than the creation of value for the end customer, to be wasteful and thus a target for elimination. LEAN has been successfully employed to streamline Farming Connect delivery and must be given wider application across Rural Affairs.

Recommendations

R.69 Review current Stakeholder groups with the aim of rationalisation and implementation of a mandatory systematic approach to establishing any new Stakeholder groups [S].

R.70 Introduce Task and Finish Advisory Groups (TFAG) on better regulation, in line with the 'key issues' discussed in this report including Groups to deliver Reducing Inspections and Simplifying Records, CAP Reform and Improving Customer Service and Communications. The Groups may be flexible in number and must provide openness and transparency and report directly to the Minister [Q].



R.71 The Deputy Minister for Agriculture, Food, Fisheries and European Programmes should introduce an annual farming conference to describe agricultural policy. The conference should include representation from the Environment Department at Ministerial level and be launched by the First Minister [Q].

R.72 Set up formal and regular meetings with Defra, ensuring the timescales meet the need to influence UK, cross border and EU policies [Q].

R.73 The LEAN methodology must be routinely applied across the Welsh Government to both regulatory process and policy delivery. Proven benefits (Farming Connect) justify wide-scale application [M].

R.74 The Welsh Government's standard Regulatory Impact Assessment, and the associated guidance, for staff must be amended to include an assessment of the administrative burden for customers [Q].

16. Managing the risks of delivering changes

16.1 Reference has been made earlier in this report to previous work by the Welsh Government on reducing red tape, with notable successes and documents prepared for developing farming in the future e.g. Red Tape Review, Farming Food and Countryside Action towards 2020. But follow-up and delivery have languished, leaving recommendations for less bureaucracy and for directions of growth on the shelf. Reasons given include a lack of ownership, sometimes inadequate leadership, the preference in some areas to resist change, become defensive or even intransigent and remain in their existing comfort zone. This, plus poor communications across Ministries and Departments all hinder the enthusiasm and wish of those who desire to make progress and change.

16.2 Governments and Administrations also change and the new incumbents may not always wish to own the direction of a predecessor. With the need to deliver some of the changes in this report over a medium term it is recommended that it transcends changes of Ministers, of Governments and of Administrations. The goals are a-political.

16.3 It is recommended that delivery on behalf of the Ministers is owned and overseen by the Directors General reporting to the Ministers at three monthly intervals until July 2013 and at six monthly intervals thereafter.

16.4 The Task and Finish Advisory Groups of policy makers, regulators, farming unions, independent farmers and agencies recommended in the previous chapter, must lead to a working partnership to overcome any needless adversarial attitudes. Being open, honest, firm and fair in discussion earns respect; partial disclosure and seeking an adversarial approach does not. It is noteworthy that the word “partnership” was put forward only twice during the work towards this report.

16.5 Clear ownership and communications by the Directors and Deputy Directors are essential to their teams. Delivering these changes should be part of an individual’s Performance Review from Director down.

16.6 Throughout this report there are calls for change within Government but it is clear that change within the industry is also desperately needed. A greater degree of responsibility for managing change and reducing risk is required from all farmers and all others connected with the agriculture industry in Wales.

16.7 Defra has in place a separate Regulatory Team to monitor proposals and delivery. This is not recommended for now for the Welsh Government because of its size, its flexibility and, most important of all, to avoid the lack of ownership by those who are responsible in both Policy and Delivery Teams. However, the situation should be reviewed after 1 year to assess progress made. A regulatory team approach may be required then if ownership has failed to deliver.

16.8 As part of the regular reviews, risk management should be part of that process ensuring that any resistance to change and lack of leadership is overcome.

17. Measuring success

17.1 The 74 recommendations are given timescales and fall into three categories of Quick wins (Q), Short term (S), or Medium term (M).

- By July 2012 the 20 quick wins must be in place, indicating a pace and willingness to progress.
- By July 2013 the 35 short term recommendations must be delivered, some of them key to the final stage.
- By July 2015 the 19 medium term recommendations must be delivered in full.

Anything less than the delivered outcomes should be regarded as a failure unless policies have determined that a changed result is desirable.

17.2 There are tangible savings and benefits to measuring success: By the Summer of 2015, 3,000 pages have been substantially reduced; only effective stakeholder groups are in place; rationalisation of Welsh Government Agencies is complete; and all recommendations have been actioned within their timescales. The current annual running costs of £24m must be reduced reflecting increased efficiency and effectiveness. Net cost savings from the new approach to managing regulation and new technology must lead to higher investment in customer service and communications.

17.3 There are tangible processes to measuring success: Investment in improved training, customer service and communications; introducing on-line systems; Task and Finish Advisory Groups and Stakeholder Groups fulfilling their newly defined roles; increasing and more profitable business growth.

17.4 The vision of the 2020 report “Sustainable Farming and Environment” cannot be bettered viz. “A profitable, competitive and sustainable agricultural industry that is responsive to consumer demand, helps to sustain the environment of Wales and supports the maintenance of healthy, balanced rural communities.” This Working Smarter report calls for this vision to be in place by July 2015.

17.5 In conclusion, this report is written at an ideal stage for change and for growth: the agriculture industry is performing well in most sectors; Ministers have the appetite for change and to heighten the profile of the industry through Farming and Food; the major issues have been addressed with recommendations to move forward; and Government to work in partnership with the farming industry. Moving forward with the recommended changes will not only reduce costs and red tape but allow growth in the sector and enable diversification, leading to a growing and more profitable farming industry. All parties – inside and outside Government – working in partnership in this way may still hold differing views on some solutions but in a way of earning trust on all sides towards delivering the common goals of Welsh Government policies in farming. This integrated set of recommendations will lead to the vision and desired changes which are necessary and will leave all involved Working Smarter.

Membership of the Working Smarter Partners & Stakeholders Groups

Partners Group:

Organisation		Attendee
Chairman	Independent Advisor on Working Smarter	Gareth Williams
AHVLA	Animal Health Veterinary Laboratories Agency	David Pugh
AHVLA	Animal Health Veterinary Laboratories Agency	Martin Sharples
BBNP	Brecon Beacons National Park	Matthew Williams
CCW	Countryside Council for Wales	Hazel Drewett
EAW	Environment Agency Wales	Bob Merriman
FAWL	Farm Assured Welsh Livestock	Moss Jones
FAWL	Farm Assured Welsh Livestock	Don Thomas
FSA	Food Standards Agency	Collin Willson
FSA	Food Standards Agency	Steve Wearne
FC	Forestry Commission	Richard Siddons
TFA	Tenant Farmers Association	Sara Crocombe
WLGA	Welsh Local Government Association	Zoe Lewis
WLGA	Welsh Local Government Association	Simon Wilkinson
WG	Welsh Government – Farm Development Division	Gary Haggaty
WG	Welsh Government – Farm Development Division	David Morris

Stakeholders Group:

Organisation		Attendee
Chairman	Independent Advisor on Working Smarter	Gareth Williams
CLBA	Country Landowners Business Association	Sue Evans
Farmer		John Davies
Farmer		Huw Davies
FUW	Farmers Union of Wales	Nick Fenwick
NFU Cymru	National Farmers Union, Cymru	Dylan Morgan
NFU Cymru	National Farmers Union, Cymru	Kevin Owen
TFA	Tenant Farmer Association	Sara Crocombe
TFA	Tenant Farmer Association	Dennis Mathesen
YFC	Young Farmers Club	Marc Jones
WG	Welsh Government – Farm Development Division	Gary Haggaty
WG	Welsh Government – Farm Development Division	David Morris
WFU	Women's Farming Union	Ionwen Lewis

**List of forms/ guidance/
record books**

Organisation	Forms	Pages	Booklets	Pages
Local Authority Trading Standards	4	2	1	50
Countryside Council for Wales	3	4	29	248
Food Standards Agency	9	21	2	49
Farm Assured Welsh Livestock	1	22	1	24
Animal Health and Veterinary Laboratories Association	18	112	27	458
Tuberculosis (TB) - Animal Health and Veterinary Laboratories Association	0	0	2	69
Food, Fish, Market Development Division	1	4	3	203
Tir Gofal (RPW)	5	36	6	104
Farm Woodland Scheme	1	4	0	0
Farm Woodland Premium Scheme	1	4	0	0
Tir Cynnal	0	0	3	84
Habitat Scheme	1	3	0	0
Environmentally Sensitive Areas Scheme ESA	1	4	0	0
Tir Mynydd	0	0	0	0
Rural Payments Wales - Divisional Office	12	113	33	957
Glastir	1	13	14	454
Single Application Form (SAF)	2	60	8	153
Organic Farm Conversion Scheme	1	8	2	24
Environment Agency Wales (EAW)	1	6	14	125
Total	62	416	145	3002

Agriculture in Wales: The main agencies and key players

Acronyms

AHVLA	-	Animal Health Veterinary Labs Agency
AHWS grp	-	Animal Health & Welfare Strategy Steering Group
BCMS	-	British Cattle Movement Service
BWMB	-	British Wool Marketing Board
CAAV	-	Central Association of Agricultural Valuers
CADW	-	Historic Environment Division
CCW	-	Countryside Council for Wales
CLA	-	Country Land & Business Association
EAW	-	Environment Agency Wales
FAWL	-	Farm Assured Welsh Livestock
FCW	-	Forestry Commission Wales
FSA	-	Food Standards Agency
FUW	-	Farmers Union Wales
HCC	-	Hybu Cig Cymru
HSE	-	Health & Safety Executive
ICF	-	Institute of Chartered Foresters
LA	-	Local Authority
LEAF	-	Linking Environment and Food
MAB	-	Menter a Busnes
NBA	-	National Beef Association
NFU Cymru	-	National Farmers Union Cymru
NSA	-	National Sheep Association
OCW	-	Organic Centre Wales
RICS	-	Royal Institute of Chartered Surveyors
RTPI	-	Royal Town Planning Institute (Wales)
(Wales)		
Soil Assoc	-	Soil Association
TFA	-	Tenant Farmers Association
TS	-	Trading Standards
	-	Universities & Further Education Colleges in Wales
WEL*	-	Wales Environment Link
WFU	-	Womens' Food and Farming Union
WLGA	-	Welsh Local Government Association
YFC	-	Young Farmers Club

***WEL is an umbrella organisation for the following bodies:**

Afonydd Cymru
 Bat Conservation
 British Mountaineering Council
 British Trust for Conservation Volunteers Cymru
 Butterfly Conservation
 Cambrian Mountain Society
 Campaign for National Parks

Campaign for the Protection of Rural Wales
Coed Cadw (Woodland Trust)
Council for British Archaeology Wales
Elan Valley Trust
Environment Wales
Keep Wales Tidy
Marine Conservation Society
National Trust
Open Spaces Society
Oxfam Cymru
Plantlife
Ramblers Association
RSPB Cymru
Sustains Cymru
Wales Council for Voluntary Action
Wildlife Trusts Wales
WWF Cymru
Wye & Usk Foundation
Youth Hostel Association

List of existing stakeholder groups:

Statutory (S)

1. RDP Programme Monitoring Committee
2. Independent Appeals Panel for Farmers and Foresters in Wales
3. Wales Rural Network Steering Group
4. Wales Rural Network Thematic Group

Ministerial Advisory (MA)

5. Red Tape Review Group
6. Upland Forum
7. Food and Drink Advisory Partnership
8. Wales Marine Fisheries Advisory Group
9. South Wales Inshore Fisheries Group
10. Mid Wales Inshore Fisheries Group
11. North Wales Inshore Fisheries Group

Business as Usual (BAU)

12. CAP Stakeholder Group
13. CAP Stakeholder Select
14. CAP Pillar 1 Thematic Group
15. CAP Pillar 2 Thematic Group
16. CAP Evidencing and Monitoring Thematic Group
17. Rural Payments Wales Stakeholder Group
18. Dairy Strategy Group
19. Horticulture Strategy Group
20. Organic Strategy Group
21. Training and Skills Group
22. Regional Agri-Food Partnerships
23. Trade Development Group
24. Fisheries and Aquaculture Group
25. European Fisheries Fund Panel
26. Commons 2006 Act Advisory Group
27. Glastir Stakeholder Group
28. Glastir Stakeholder Select
29. Working Smarter Stakeholders Group
30. Working Smarter Partners Group
31. Farming Connect Policy Development Group

Rural Affairs Offices

Annex 5

Allwedd/Legend

Rural Affairs Offices

- Area office
- Divisional office
- HQ office



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Llywodraeth Cynullid Cymru
Welsh Assembly Government

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Welsh Government:

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Aedan Davies	Central Web Team
Alan Dearman	DEFRA
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Chris Hale	OCVO
Chris Lea	Deputy Director, SEED
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Claire Bennett	Deputy Director, DESD
Dafydd Glyn	OCVO
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Dianna Reynolds	DESD
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Janis Mainwaring	Carmarthen and Llandrindod Wells Divisional Office Manager
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John Kirkham	DESD
John Watkins	DESD
Jonathan Jones	Director, Visit Wales
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Matthew Quinn	Director, DESD
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Wynford James	Deputy Director, FFMDD

Agencies & Companies:

Andrew Morgan	Farm Shop
Bob Merriman	EA Wales
Brian George	Meat Processor
Chris Jones	Auctioneer
Chris Mills	EA Wales
Colin Wilson	FSA Wales
Dai Davies	HCC
Dan Thomas	WLBP
Delyth Davies	DairyCo
Dyfrig Siencyn	Auctioneer
Euryn Jones	HSBC
Fiona Jones	Farmers Markets
Gethin Havard	BWMB
Gwyn Howells	HCC
Helen Davies	NSA
Jill Gibson	FCN
Jim Dobson	Dunbia Meat Processor
Joanne Pugh	NBA
John Michael Warren	Aberystwyth University
Jonathan Williams	Meat Processor
Judith Stone	WCVA
Kath Whitrow	Barclays Bank
Moss Jones	FAWL
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Richard Jones	IOSH
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Dylan Morgan	NFU Cymru
Edward Bailey	NFU Cymru
Emyr Jones	FUW
Gareth Vaughan	FUW
Kevin Owen	NFU Cymru
Nick Fenwick	FUW
Peter Howells	NFU Cymru
Rhian Nowell-Phillips	FUW

Agrisgôp & Farmers :

30+ farmers across Wales
Welsh Black Agrisgôp Group
Women's Agrisgôp Group

Others:

Canon Robin Morrison	Church in Wales
Christine Lewis	
Dr Haydn Edwards	Chair of Farming & Food

There were many supplementary meetings between Welsh Government officials (who were dedicated to the Working Smarter programme) and other Government and agency officials and with farmers.

I would like to record my sincere appreciation to all those named above and also to those unnamed here but who informally contributed to this report.

