



States of Jersey

Senator Terry Le Sueur
President,
Finance and Economics Committee.
Cyril Le Marquand House,
St. Helier,
Jersey, JE4 8UL.

17th June 2004

Senator E.P. Vibert,
Chairman – Shadow Scrutiny Panel,
States Greffe,
Morier House,
Jersey,
JE1 1DD

Our Ref: TLES/CFSD/MW

Dear Senator Vibert,

Scrutiny Panel – Agri-Environment scheme (Countryside Renewal)

I refer to your letter of 4th May, 2004 concerning the above and your request for relevant information considered by the previous Finance and Economics Committee on the scheme.

The proposed Agri-Environment scheme was part of the Agriculture and Fisheries Committee's 2001 Policy Report and as such was considered by the then Finance and Economics Committee as part of an overall package of proposals for the agriculture industry. In 2001 and 2002 the Policy Report itself, as you are no doubt aware, was the subject of much debate and discussion between representatives from the Policy and Resources, Finance and Economics and Agriculture and Fisheries Committees. I am aware that there were a number of papers prepared by both OXERA and officers of the Policy and Resources Committee which, as well as the Policy Report itself, formed the basis of Treasury papers considered by the then Finance and Economics Committee. I understand that these papers have already been forwarded to the Scrutiny Office. With this in mind I have forwarded you a copy of the Finance and Economics Committee's comments on this issue as well as relevant Committee Acts which should assist your Panel in considering this matter.

I am also aware that copies of relevant paperwork from the Fundamental Spending Review process on this matter have already been forwarded to Kay Tremellen-Frost in the Scrutiny Office.

I wish you and your officers well in this Shadow Review.

Yours sincerely

**Terry Le Sueur
President**

Enc.

Agriculture and Fisheries Committee: Policy Report 2001 (P126/2001), and amendments lodged on 18th December.

RECOMMENDATION

The Committee may agree it appropriate to comment on the financial aspects of the Report and Proposition as follows:

“The cost of the Agriculture and Fisheries Committee’s proposal amounts to £10.7 million over a three year period and amounts to £15.29 million over a five year period, which includes the funding of Organic Waste Recycling and Enterprise Support.

The amendment put forward by the Agriculture and Fisheries Committee requests funds of £10.7 million to commence in 2002. Funding is not available in 2002 as Cash Limits have already been determined by the States and the General Reserve cannot sustain a withdrawal of this amount. Accordingly, if the States support the proposals, funds will need to be drawn from the 2003 Cash Limits and be subject to prioritisation against requests from other Committees.

The Finance and Economics Committee wishes to emphasise that it is very sympathetic to the plight of the Industry and fully recognises there is a urgent need to deal with the current issues facing the Industry. It is therefore with great regret that its unable to accept the current proposals of the Agriculture and Fisheries Committee.

The Finance and Economics Committee has a duty to ensure that public money is being spent wisely and that value for money is being achieved. It remains unconvinced that the proposed policy is in the best interests of the Agriculture Industry and represents best value for the taxpayers of the Island. The Committee has concerns that alternative, less costly proposals including those in respect of the Agri-Environment Scheme, have not been thoroughly investigated and it remains uncertain that the proposed strategy represents the best way forward for the Industry as the objectives and how they will be measured are unclear.

It is therefore with great reluctance that the Committee is not able to support the proposed report and proposition of the Agriculture and Fisheries Committee. It is however sympathetic to the plight of the Industry and regrets that the Agriculture and Fisheries Committee has not presented proposals it feels able to accept. The Finance and Economics Committee strongly believes that the Agriculture and Fisheries Committee should as a matter of urgency, bring forward alternative strategies, incorporating elements currently proposed which enhance the sustainability and viability of the Industry whilst providing the taxpayer with greater value for money.”

FEC. 6th February, 2002.

Agriculture and
Fisheries
Committee:
Policy Report
2001 -
comments.
1331/11(52)

T.O.S.
C.I.Aud.

A5. The Committee, with reference to its Act No. B2 of 21st November 2001, considered a Treasury paper dated 30th January 2002, concerning the Committee's comment on the Agriculture and Fisheries Committee's Policy Report 2001 (P.126/2001) and its subsequent amendment.

The Committee, having recalled the background to the present situation, recognised that the only effect the amendment would have on the cost of the policies proposed would be to reduce costs by a total of £750,000 over the first three years. However, such savings would partly depend on establishing new States' policies to enable 'outsourcing'; without which the prospective savings would be less.

The Committee noted advice from the Chief Executive of the Policy and Resources Department that, in the event that the States were to adopt the proposals of the Agriculture and Fisheries Committee, it was evident that the aid package would have to be notified to the European Commission before it could be implemented. The Committee recognised that this matter did not represent a formality and would require careful handling, not least because of the concurrent and linked issue in relation to milk imports into the Island. The Committee also noted that the World Trade Organisation (WTO) was shortly expected to conclude negotiations in respect of the "reduction, with a view to phasing out" in relation to agricultural export subsidies.

The Committee noted that the stance adopted by the Agriculture and Fisheries Committee continued to be that the industry would collapse and the proposed agri-environment scheme rendered unaffordable unless significant additional funding were to be provided. It was recalled that the Oxford Policy Management (OPM) study of the industry, which had been published in February 2001, had indicated that extra public funding would probably only temporarily slow the decline in the number of farmers and agricultural production in the Island. OPM had suggested two alternative scenarios, one of which was to continue with the current level of funding of agriculture, but to redirect it in order to address environmental concerns. The other alternative proposed had been to reduce the level of financial support by £2.8 million with a shift in emphasis towards environmental management. It was evident, however, that the Agriculture and Fisheries Committee had been reluctant to pursue either of those further options.

The Committee was all too well aware that recent financial forecasts showed that the current rate of public expenditure was increasing at a faster rate than the economy. Furthermore, given the general consensus amongst States' members that growth in expenditure must be controlled before the public could be expected to accept increased taxation, the Committee did not wish to enter into new initiatives at a time when they might be unsustainable in terms of what might be available to spend on them and with Committees about to embark on the 2003 resource allocation process.

The Committee decided to comment on the reports and propositions of the Agriculture and Fisheries Committee, as follows -

"The cost of the Agriculture and Fisheries Committee's proposal as estimated in the amendment to the Policy Report amounts to an increase of £10.7 million over a three year period, which includes the funding of Organic Waste Recycling and Enterprise Support. However, Members should be aware that the full cost of the proposals as estimated in the Policy Report amounted to £15.29 million over a five year period.

The amendment put forward by the Agriculture and Fisheries Committee requests funds of £10.7 million to commence in 2002. Funding is not available in 2002 as Cash Limits have already been determined by the States and the General Reserve cannot sustain a withdrawal of this amount. Accordingly if the States support the proposals, funds will need to be drawn from the 2003 Cash Limits and be subject to prioritisation against other Committees requests.

The Finance and Economics Committee must ensure that public money is being spent wisely and that value for money is being achieved and it remains unconvinced that the proposed policy is in the best interests of the Agriculture Industry and represents best value for the taxpayers of the Island. The Committee has concerns that alternative, less costly proposals including those in

respect of the Agri-Environment Scheme, have not been thoroughly investigated and it remains uncertain that the proposed strategy represents the best way forward for the Industry.

It is therefore with great reluctance that the Committee is not able to support the proposed report and proposition of the Agriculture and Fisheries Committee. It is however sympathetic to the plight of the Industry and regrets that the Agriculture and Fisheries Committee has not presented proposals it feels able to accept. The Finance and Economics Committee strongly believes that the Agriculture and Fisheries Committee should as a matter of urgency, bring forward alternative strategies, incorporating elements currently proposed which enhance the sustainability and viability of the Industry whilst providing the taxpayer with greater value for money."

The Greffier of the States was directed to arrange for the Committee's comments to be presented to the States, in conjunction with those of the Policy and Resources Committee, and to send a copy of this Act to the Agriculture and Fisheries and Policy and Resources Committees.