Written Response by the Welsh Government to the report of the Climate Change, Environment and Rural Affairs Committee entitled Scrutiny of the Welsh Government Draft Budget 2020-21

Recommendation 1.

In future, the Welsh Government’s draft budget should be accompanied by a comprehensive assessment of its overall carbon impact. To inform this assessment, the Welsh Governments should undertake an analysis of the carbon impact of its budget decisions.

Response: Accept in principle

Alongside the draft Budget, the Minister for Finance and Trefnydd published the Budget Improvement Plan, which sets out further steps to explore how the assessment of the carbon impact of our spending programmes can be embedded more firmly in the budget process. The carbon impact assessment of spending programmes is a cross cutting responsibility of all Ministers and should inform the funding decisions Ministers take in setting detailed MEG spending plans. However, the assessment of the specific carbon impact of individual investments is not always a straightforward process. For example, the carbon reduction impact of the Welsh Government’s investment in electric charging infrastructure is likely to be highly dependent on the regulatory decisions that the UK Government makes regarding fossil fuel vehicles. Where it is appropriate and meaningful, we will consider the incremental impact of Welsh Government spending, as well as the wider impact that policy implementation has on carbon emissions. In doing so, we will continue to draw of the evidence of our statutory climate change advisers, the UK Committee on Climate Change (UKCCC) as to which Welsh Government investments will deliver the greatest impact. In addition, the development of the next Low Carbon Delivery plan will set out the detail of how key policies will allow us to meet our carbon budget, providing clarity and certainty to businesses and individuals.

Recommendation 2.

The Welsh Government should report back to this Committee within 3 months on the development of the Environmental Growth Plan. This should include a timetable for the implementation of the Plan; information about plans to consult on the proposals; and information on the objectives and outcomes the Plan is intended to deliver.

Response: Accept

A report will be available in May 2020 on the development of the Environmental Growth Plan. The report and a timetable for the creation of the plan can be provided to the Committee at this point. Work is at a very early stage and so it is unlikely that there will be an implementation plan or a timetable for delivery available in the next three months as requested. Information about our plans to consult on the proposals will be provided. It is unlikely that the objectives or outcomes of an Environmental Growth Plan will be available at that stage, but progress can be reported.
Recommendation 3.

The Welsh Government should publish an assessment of the financial implications, including costs and benefits, of the next iteration of its decarbonisation plan. This should be included alongside an assessment of the carbon impact of each policy or intervention.

Response: Accept in principle

Departments are already expected to consider the cost and impact of all interventions as part of the policy development process. However, the aim of the Low Carbon Plan is to set out how we will meet our carbon budget, whilst also providing wider stakeholders with information as to how we are taking action. The plan is a collation of cross-government action and should not be a mechanism to collate the impact assessments of each action.

The Environment (Wales) Act does not require us to publish an assessment of the cost and impact of each intervention. This is similar to the position in Scotland and at the UK level. However, we will conduct a wider appraisal of how the plan supports the well-being goals.

Recommendation 4.

The Minister should provide an update to this Committee about whether she believes the funding allocated to its warm home schemes, Nest and Arbed, are sufficient to address the fuel poverty problems in Wales.

Response: Accept

Evidence submitted to the Climate Change, Environment and Rural Affairs Committee, as part of the inquiry into fuel poverty, suggests the energy efficiency of 15,000 homes annually is needed to eradicate fuel poverty in the next fifteen years. If these estimates are accepted, then the number of homes benefitting from investment through the Warm Homes Programme, currently averaging 6000 homes a year, will need to be more than doubled. This will be considered as part of our new draft plan to tackle fuel poverty which we plan to publish in the coming weeks.

Recommendation 5.

The Minister should provide an update to this Committee on the circumstances that have led to a change of manager of the Arbed scheme. The Minister should explain why she believes this change will be sufficient to transform the operation of the Arbed scheme.

Response: Reject

The management arrangements within Arbed am Byth, including their decision to change the head of the Arbed contract, are a matter for the company and its parent organisations.
Recommendation 6.

The Welsh Government should report back to this Committee on its timescales for taking forward the recommendations of the “Better Homes, Better Wales, Better World” report. This should include reference to any funding allocated in the draft budget for this purpose.

Response: Accept

We are fulfilling our commitment to develop a programme to support action to decarbonise homes in the next term of Government. The Report sets out the key actions needed and Chris Jofeh (Chair of the Welsh Government Advisory Group on the Decarbonisation of Existing Housing) is leading the work with Welsh Government to ensure the elements are in place.

One of the major priorities – as recommended in the Report - is the modelling currently being undertaken of the social housing stock. This is to assess whether the 10 year EPC A target recommended by the Group is achievable. It will also help identify for example the right decarbonisation pathways for homes, the action needed and associated costs.

Social landlords are actively involved in this work and three in particular are working with us to carry out detailed modelling. This phase will be completed in spring 2020. Social landlords will then be able to use this approach to model their own stock, the pathways they need to use and the associated costs and carbon reduction.

Recommendation 7.

The Minister should keep this Committee updated about discussions with the UK Government about post-Brexit arrangements. This should include any discussions about funding to mitigate the impact of a no-deal Brexit.

Response: Accept

The majority of discussions the Minister for Environment, Energy and Rural Affairs has with the UK Government about post-Brexit, EU transition arrangements and funding, take place at the Inter-Ministerial Group Environment; Food and Rural Affairs with Defra and the other devolved administrations. After each meeting, the Minister provides a written statement with an update on the discussions that have taken place.

Recommendation 8.

As soon as she can, the Minister should confirm whether the €6.12million that has been committed as a result of the Bew report has been allocated to her portfolio.

Response: Accept

This funding relates to Direct Payments to farmers (pillar 1 of CAP) which is regulated under EU law and, therefore, legislative changes must be made in order to provide the Secretary of State and Welsh Ministers with the powers to give farmers the additional funding. Section 5 of the Direct Payments to Farmers (Legislative Continuity) Bill gives the UK Secretary of State the power to increase the Direct Payment ceiling for 2020. The power can be used to increase the
funds and share of the UK ceiling to be allocated to Wales for the 2020 claim year, in order to implement Lord Bew’s recommendations. We are working to gain clarity from UK Government on how and when Wales will receive the money, and are happy to confirm when this happens.

**Recommendation 9.**

The Minister should report back on the latest timetable for the proposed post-Brexit farming support scheme, including the introduction of a Welsh agriculture Bill.

**Response: Accept**

In *Sustainable Farming and Our Land*, we outlined our proposals for a new system of financial support based on the principle of sustainable land management incorporating the economic, environmental and social dimensions of agriculture. An independent research company has been commissioned to produce a comprehensive summary of responses to this consultation. This will be published in spring 2020.

We also intend to publish a White Paper this Assembly term. This will set out the potential scope of an Agriculture (Wales) Bill which will provide the legal basis needed to implement the proposed new scheme. It will also serve as a vehicle for legislative change in a number of related areas. We intend for this Bill to be introduced early in the next Assembly term.

Until the Agriculture (Wales) Bill is in force, we are taking time-limited powers through the UK Agriculture Bill to provide Welsh farmers with stability and continuity in this period of uncertainty. Having taken into consideration the comments raised by Senedd Committees during their scrutiny of the original Agriculture Bill (introduced September 2018), powers intended to be taken for Welsh Ministers are only those needed to enable the continued provision of existing financial support and to ensure the effective operation of agricultural markets across the UK following our departure from the EU.

**Recommendation 10.**

The Minister should clarify how much of the RDP has been committed. She should report back to the Committee on how much uncommitted RDP is being used for pilot projects for the Welsh Government’s post-Brexit farming support scheme.

**Response: Accept**

As at December 2019, the total RDP commitment stands at £669.3m, which equates to 80.2% of the programme having been committed. The Minister for Environment, Energy and Rural Affairs has taken steps to ensure the programme is fully committed by 31 December 2020, when our ability to draw down EU funds ends. To ensure full commitment, the RDP has been over-committed, as some schemes inevitably de-commit over the course of a seven year programme. We do not anticipate any uncommitted RDP funding by the end of this year. We are considering what projects to fund in 2021 and beyond, via domestic funding, and will certainly consider innovative and new schemes, as well as existing schemes which are currently funded through the RDP and meet our priorities.
Recommendation 11.
The Minister should report back to this Committee when she has made a decision about how she will use the approximately £40 million arising from modulation. The Minister should indicate how she intends to use these funds to address agricultural pollution.

Response: Accept

To support the rural economy and environment after Brexit, we are transferring 15% (£41m) of the €320m (£285m) budget ceiling for BPS 2020 to support rural development in 2021/22. The decision to transfer this funding has been made subject to the UK Government providing full replacement funding, leaving Wales with not a penny less than we have received via European funding. However, this is not yet confirmed. The Minister for Environment, Energy and Rural Affairs will report to the Committee on how this funding will be used when it is understood exactly how much funding the UK Government will provide, which will inevitably impact on resources allocation.

Recommendation 12.
The Minister should share with the Committee at the earliest opportunity the report of the stakeholder group on future environmental governance arrangements.

Response: Accept

A first draft of the report was prepared for the January meeting of the stakeholder task group. The Group are currently in the process of finalising the report, which will be presented to the Minister for Environment, Energy and Rural Affairs at the end of the month. The report will be copied to the Committee in due course.

Recommendation 13.
The Minister should clarify whether any funding has been allocated for taking forward the recommendations of the stakeholder group on future environmental governance arrangements.

Response: Reject

We expect the next UK comprehensive spending review to take place in 2020 which will set budgets for future years. We continue to press the UK Government to set out its proposals to fund new responsibilities such as the proposed environmental governance body. This must include providing appropriate funding to Wales where, as is clear in this case, these responsibilities cover devolved functions and policy areas.
Recommendation 14.
The Minister should keep this Committee updated about the progress of discussions with the UK Government about the LIFE Programme.

Response: Accept

LIFE funding currently plays an important role in developing new ways of implementing environment policy in Wales, by providing organisations with the opportunity to demonstrate and pilot new, cutting-edge approaches in implementing policy on:

- Nature and biodiversity
- Circular economy
- Climate action
- Clean Energy Transition

During the EU exit transition period officials will remain in discussion with the UK Government to ensure Wales continues to benefit from the LIFE programme. There are options to remain as an ‘associate member’ of the programme on a UK basis, which would be the preferred position. It is not yet clear what the costs would be for such a membership. In a ‘no-deal’ scenario we would seek to retain funding for an equivalent UK programme.

Recommendation 15.
The Minister should report back to this Committee once decisions have been made on the allocation of the £15m for the Natura 2000 network.

Response: Accept

We will report on progress with the allocation of the Natura 2000 funding in June 2020. £15m is available as capital funding for 2020-21 to support the restoration of Nature 2000 sites. We have baseline (2015) information on their current status and work will be focused on actions which can improve sites towards this goal. These data provide a list of costed actions which can be undertaken to improve all Natura 2000 sites in Wales, covering both marine and terrestrial areas. The funding will be administered by Welsh Government in partnership with Natural Resources Wales.

Recommendation 16.
The Minister should report back on her department’s plans for marine conservation in the coming year. This should include information about how much funding will be allocated in the division’s budget to support this work and for the designation of marine conservation zones in 2020-2021.

Response: Accept

Financial allocations to support the identification and designation of Marine Conservation Zones set in 2019/20 will be matched in 2020/21, however, this will be carefully managed during the year.
Recommendaer 17. The Minister should provide further information about the current staffing profile in the marine and fisheries department and any plans to increase staffing numbers.

Response: Accept

Civil service staffing is a matter for the Permanent Secretary. The Minister for Environment, Energy and Rural Affairs has asked the Permanent Secretary to write to the Committee on this matter.

Recommendation 18.

The Minister should report back on the timetable for the introduction of the new risk management strategy. The Minister should also clarify whether funding has been included in the draft budget for the implementation of the strategy, or any actions arising from it.

Response: Accept

The consultation summary of responses to the new Draft National Strategy for Flood and Coastal Erosion Risk Management in Wales was published on 7 February.

The consultation ran from 24 June to 16 September 2019, during the consultation exercise, we sought views on our proposed approach to manage the risk from flooding and coastal erosion across Wales. We received 61 written responses and we gathered additional views and comments at 3 workshops.

Approval and publication of the final National Strategy is scheduled for June 2020. All of the Flood and Coastal Risk budget is committed to delivering the new Strategy and supporting flood and coastal schemes to reduce risk.

Revenue and capital allocations are provided through standard budget procedures. The current policy of providing capital funding to Risk Management Authorities prioritised by risk will continue. Revenue is provided to support the activities of NRW as well as other functions such as maintenance, mapping, awareness-raising and the Wales Coastal Monitoring Centre.

The new Strategy strengthens our policy on information provision and achieving better outcomes from our investment in flood and coastal risk.

Recommendation 19.

The Minister should report back to this Committee on progress made during the last year to about the use of alternative sources of investment for flooding and coastal risk management interventions.

Response: Accept

The Flood and Coastal Risk programmes continue to deliver capital funding and innovative finance into flood alleviation schemes. Their focus remains on reducing risk to life, homes and businesses.
We promote wider benefits in all our schemes, but where third parties, such as rail or utilities infrastructure stand to benefit from a reduction in risk, we expect them to contribute to its costs appropriately. This position is being made clearer in the new National Strategy.

Since we published the draft Budget, many communities in Wales have suffered devastating and unprecedented effects from storm damage. On 18 February, the Welsh Government announced an emergency flood relief scheme which will make available up to £10m immediately for the initial response. Work is ongoing to get a clear picture of the scale of the damage and to identify the longer term support needed. Given the close proximity to the end of this financial year (2019-20) it is likely that some costs will fall in the current year and some in 2020-21. As a result, we would expect any further financial support to be reflected in the first supplementary budget.

Recommendation 20.
The Minister should report back to this Committee on how she plans to engage the commercial sector to play a role in meeting tree planting rates.

Response: Accept

The Welsh Government engages regularly with the forestry sector to discuss how best to meet our targets for the sector. We will provide an update in the coming months on our plans to increase tree planting rates in Wales.

Recommendation 21.
The Minister should report back to this Committee on the development of the national forest policy, including any assessment of the costs and benefits of the policy.

Response: Accept

We will report on progress with the National Forest in May 2020. We intend investing the £4.5m capital funding and £0.5m revenue funding in a number of demonstrator projects in 2020-2021 that will improve the condition and connectivity of our ancient woodlands and help to accelerate the rate of tree planting in Wales, unlocking environmental and economic benefits. The demonstrator projects will enable us to start activity on the ground, test funding and delivery mechanisms for improving and creating woodlands to inform our future plans for the National Forest. The National Forest will contribute to the 2,000 hectare woodland creation target this year, alongside other measures such as the Glastir Woodland Creation scheme.
Recommendation 22.

The Minister should report back to the Committee on any discussions she has had with the Minister for Local Government and Housing and local authorities about how the costs arising from her proposed animal welfare interventions will be met.

Response: Accept in principle

Officials have met with Local Authority representatives to discuss barriers to enforcement and issues surrounding licencing breeding establishments. Further to those discussions a scoping project is underway by the Local Authorities to determine what additional resource is necessary to maximise the use of existing structures and ensure a consistent approach to licensing breeding establishments across Wales. The Minister for Environment, Energy and Rural Affairs will not be in a position to discuss what additional funding may be needed for this until the scoping study has completed. At that point, she will discuss with the Minister for Local Government, Housing and Local Authorities.

Recommendation 23.

The Minister should clarify how “sustainable travel” is defined in relation to the funding allocations in the draft budget.

Response: Accept

The Sustainable Travel allocation in the draft budget primarily covers funding to promote and support bus travel (including Concessionary Fares, Youth Discounted Fares, TrawsCymru services and Bus Services Support Grant). It also supports active travel focussing specifically on walking and cycling.

Recommendation 24.

The Minister should report back to the Assembly on the impact of speed reduction interventions as soon as possible after the publication of the data in March 2020. This should include an informed estimate of when he expects air quality compliance to be achieved at each of the sites.

Response: Accept

The data report to be published in March 2020 will include a narrative on the effect of the 50mph speed limit measure on reducing levels of nitrogen dioxide at each of the 5 locations on the motorway and trunk road network. The report will also provide an update on when each of the locations is predicted to achieve compliance with the legal limit.
Recommendation 25.
The Minister should report back to this Committee within the next 6 months on the development of Precautionary Retained Measures (PRM). In particular, the Committee would like further details about the consultation plans; the timetable for the programme of work; and the funding that is going to be allocated to the policy.

Response: Accept

The report that officials intend to publish in March 2020 will also include an update on development of the Precautionary Retained Measures. Officials will ensure that the update includes the types and levels of consultation proposed and the timescales for further design and implementation of each PRM. Officials will update the Committee as soon as the report is published and will also outline the level and source of funding for the PRMs.

Recommendation 26. The Minister should clarify whether there is funding included in the draft budget to support the implementation of the Clean Air Plan and development of a Clean Air Act.

Response: Accept

We have awarded funding of just over £25 million through to 2021 to support the implementation of measures to accelerate compliance with nitrogen dioxide limits and improve air quality in Wales. Securing necessary improvements in air quality requires all parts of society to play their part. This involves changes in behaviours at home, when travelling, at work and at leisure. The impacts and benefits fall across all sectors. Funds and resources to support and focus on air quality improvements will in many cases be costly and some measures proposed (e.g. speed limits, traffic restrictions) have already been proven unpopular, despite the benefits. Air quality improvements will require significant sustained long term investment. We are not in a position to determine the full extent of additional funding required until the outcome of action specific studies are undertaken and known.

The specific budget for air quality 2020-21 equates to a revenue budget of £3,415,000 and a capital budget of £17,095,000. From this our biggest commitments are the grants of over £16,000,000 to Caerphilly and Cardiff to reduce nitrogen dioxide in their areas where they exceed legal limits. The remaining budget will be used to support development and delivery of the Clean Air Plan and Act for Wales including evidence and engagement to support future proposals, new air quality targets, air quality monitoring and evaluation and communications to support behavioural change, encouraging action to reduce air pollution.

Recommendation 27. The Minister should keep the Assembly updated regularly on progress on the implementation of the recommendations included in the South East Wales Transport Commission’s December 2019 progress report.

Response: Accept

The Welsh Government formally received the Commission’s Progress Update report on 17 December. It was welcomed by the Minister for Economy, Transport and North Wales in a Written Statement the same day.
They have given us three early proposals for fast track, motorway-focused measures designed to make an immediate impact on traffic flow.

The Commission will publish a further report in spring this year, with a final report expected around the end of 2020.