

Jocelyn Davies AM
Chair of the Finance Committee
National Assembly for Wales

28 January 2016

Annwyl Jocelyn,

Draft budget 2016–17

General observations

In 2015–16, the Natural Resources Departmental Expenditure Limit (DEL) reduced in cash terms by 7.5% – the biggest reduction faced by any Welsh Government department. For 2016–17 the department avoids this position, yet it faces a greater cut than it did in 2015–16 – 9.3% in cash terms when compared with the 2015–16 Supplementary Budget.

The Minister outlined the protection afforded to health and education budgets and the consequences of this being greater cuts to other departmental budgets. The source of the budget reductions are, ultimately, a consequence of UK Government policy decisions.

We believe that in future years more detail needs to be provided about the outcomes that are being reduced in scope and/or delayed as a consequence of budget reductions.

Budget process

Whilst we accept that the decision to present the draft budget differently this year was not taken by the Minister for Natural Resources, and that the change was



explained in his paper to us. However, this change in presentation made comparisons more difficult and less clear. We would have preferred the presentation to have been consistent with previous years. Last year we praised the Government for improvements in the clarity of its presentation and it is a shame that there has been a slight regression on this front this year. In future, we would hope that the Finance Committee would be consulted on such presentational changes. Noting the above, we are grateful to the Minister for being open to receiving our view on this aspect of the process and his stated desire to make the process as transparent as possible.

Natural Resources Wales

We appreciate the Minister's candour in outlining the financial challenges faced by Natural Resources Wales, who receive a 10.1% budget reduction in cash terms for 2016–17.

In acknowledging the pressure NRW is under, the Minister also reaffirmed his belief that NRW can still deliver all of its core functions. However, the Minister also acknowledged that a time will come when NRW will not be able to perform all of the duties it currently performs and that its operational capability will be at greater risk.

We accept the Minister's assurance that NRW is being provided with sufficient resources to deliver its core functions during the period covered by this draft budget. However, we are concerned about the increasing level of risk that this is bringing to services that are already under significant pressure. If NRW is going to have to stop performing functions that could be considered 'non-core' then it is important that the implications of this are understood.

It is our intention to explore the implications of NRW's budget reductions in more detail through correspondence with NRW's Chief Executive.

The Minister also mentioned steps that could be taken to make better use of the public estate. We will be seeking further information from the Minister in relation to this.

Implications of the United Kingdom withdrawing from the European Union

A substantial range of policy areas within our scrutiny remit rely on financial support from the European Union (and European law). In the event that the United



Kingdom decides to withdraw from the European Union, major programmes would require complete transformation and significant new funding streams. In particular, the impact on agriculture and rural communities would be significant due to the level of financial support provided through the Common Agricultural Policy.

We believe that resources need to be allocated to contingency planning, particularly in areas that are currently wholly reliant on European funding. We intend to ask the Minister to provide further details of how the draft budget will support the need for this planning.

European Investment Bank (EIB)

During our evidence session, the Minister referred to £350 million of funding that had been secured from the EIB for a loan–grant scheme. We intend to seek more information about how such a scheme will work and the objectives the Minister expects to see delivered with this additional money.

The UK Department for Environment, Food and Rural Affairs (DEFRA)

The potential impact of cuts to the DEFRA budget on services that the Welsh Government currently share is of concern to us, though we note the Chief Veterinary Officer's view that these cuts will be greater at the centre of DEFRA and that the agencies (that are of greater relevance in terms of shared services) will be less affected.

We welcome the steps that the Deputy Minister and her officials have taken to achieve greater Welsh representation within, and subsequent attention from, the Animal and Plant Health Agency (APHA).

Flood risk management

The Minister, and First Minister, recently announced a £3.3 million funding package for immediate repairs and maintenance of river and drainage schemes and to assist communities recovering from flooding.

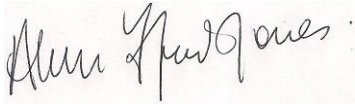
The First Minister has confirmed that £2.3 million has been provided as a consequence of increased funding from the UK Government for flood risk management in England.

The Minister was unable to confirm the source of the additional £1 million of funding, and whether it would come from the current budget (2015–16) or the



future budget (2016-17). We intend to seek further information on the source of this funding from the Minister.

Yours sincerely

A handwritten signature in black ink on a light-colored background. The signature appears to read "Alan Hudson".

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.

