

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 2018-19

Detailed responses to the report's recommendations are set out below:

Recommendation 1

In future, the draft Budget should be presented in such a way that intended outcomes are identified for all investment allocations, so that progress can be monitored.

Response: Accept in Principle

I have been clear in presenting the spending plans for my portfolio that I had to make difficult decisions. In doing so, I ensured that the information within the evidence was fully transparent in its presentation. In addition to the levels of reductions my portfolio faced, a number of my budgets have been re-allocated and prioritised to ensure the right balance of investment across the portfolio to support the National Strategy "Prosperity for All" priorities.

I also made it clear I had to re-prioritise much of my capital programme in line with our priorities and in my evidence submitted to the Committee I stated what the investments would be for my re-profiled capital budgets, although I will ensure there will be added focus on outcomes in future budget evidence submissions.

As part of this year's budgets preparations, we have taken steps to build in consideration of carbon impacts in helping to inform our priorities for capital investment, aligned with the Well-being of Future Generations Act. We have prioritised proposals that offer the most sustainable positive long-term impact, whether in financial terms – by helping to generate recurrent revenue expenditure savings – or in terms of supporting the decarbonisation agenda.

As I stated in the Evidence submitted to the Committee, we are developing the regulations to set the emissions targets and carbon budgets, which will allow us to guide delivery, better evaluate progress and provide certainty and clarity for investment and business.

Recommendation 2

In order to demonstrate how the Wellbeing of Future Generations (Wales) Act 2015 informs the budget process, the Welsh Government should incorporate in its impact assessment process an assessment against its well-being objectives

Response: Accept

I am fully supportive of exploring how effective strategic impact assessment could better identify how the Wellbeing of Future Generations Act has influenced budget decisions.

Within my portfolio, I will continue to work with the Future Generations Commissioner over the course of the next budget round to make sure the Well-being of Future Generations Act is further embedded in the budget-making process.

I also intend to develop the way we work with our partners and stakeholders in response to our participatory budgeting pilots following the publication of the draft Budget.

Working more widely across the Welsh Government, we will be taking forward a project, in 2018, to deliver a new framework for impact assessment. The objectives for the framework include giving clearer and more explicit purposes for impact assessments across the range of government interventions; reducing complexity and applying impact assessments to interventions in a proportionate way. Our approach will focus on the quality of understanding, evidence and judgment; and integrating the impact assessment process with the substantive direction of the Wellbeing of Future Generations Act.

The project will include training and development for the workforce to assess impact more effectively.

Recommendation 3

The Welsh Government should report to the Committee within six months on its considerations regarding increasing local authority recycling targets.

Response: Accept

Local Authority recycling targets form an integral part of the consultation of the review of the national waste strategy for Wales. This review will be informed by detailed consideration of the costs and benefits of potential changes to Local Authority recycling targets. The consultation will be published in July 2018.

Recommendation 4

The Welsh Government should undertake an assessment of the risks and estimated savings arising from the transfer of funding for waste management to the local authorities Revenue Support Grant, and should do so in consultation with stakeholders.

Response: Reject

The transfer of funding for waste management from the Single Revenue Grant (SRG) in my portfolio to the Revenue Support Grant (RSG) within the Local Government portfolio was decided after extensive discussion with stakeholders. At

the waste Ministerial Programme Board (MPB) in January 2017 the Cabinet Secretary agreed that officials and colleagues from the Welsh Local Government Association (WLGA) establish a Task & Finish Group to examine the issues of the possible transfer of funds from specific grant into the RSG. The WLGA invited representatives of the County Surveyors Society (CSS) waste sub group and Local Authority officers from the waste management and finance functions to take part in the considerations.

Following several meetings of the Task & Finish Group and extensive consideration of the issues the then Cabinet Secretary for Environment and Rural Affairs and the then Cabinet Secretary for Finance and Local Government agreed to the transfer of £35 million from the SRG into the RSG. This decision and the figure of £35 million were reached following an assessment of the risks and opportunities following consultation with the stakeholders on the Task & Finish Group. As the money is available to local authorities within the RSG for waste services the overall effect of the transfer is neutral.

Recommendation 5

The Cabinet Secretary should undertake an assessment of the short and medium term staffing resource requirements within her department arising from Brexit. The Cabinet Secretary should report back to the Committee within six months on that assessment.

Response: Accept

An exercise conducted earlier this year to assess the staffing requirements has already resulted in a number of temporary posts being identified as being needed with arrangements underway to fill those posts. Going forward, the resourcing need will continue to be kept under review as more clarity emerges on the implications for Wales. The Welsh Government will report back to the Committee on this matter in June 2018.

The financial implications of Brexit within my portfolio area are continually under review, with discussions planned for obtaining further funding to assist with the additional costs for resources.

Recommendation 6

The Welsh Government should provide information on the status and scope of its planned legislation on agriculture and fisheries, along with details on any proposed consultation activity and the timetable for such legislation.

Response: Accept in principle

The timing and extent of future agriculture and fisheries bills will evolve as we continue to negotiate our exit from the European Union. The stakeholder round table are and will be engaged in shaping future legislation. The timing and scope of both

the UK Withdrawal Bill and the respective UK agriculture and fisheries bills will also form part of my consideration around future legislation. I will write to the Committee once the position is clearer.

Recommendation 7

The Welsh Government should undertake an assessment of the potential shortfall in funding if the UK Government does not maintain current levels of EU funding after Brexit.

Response: Accept in principle

The UK Government has committed to maintaining existing funding levels through to 2020 but there remains a lack of clarity as to what will happen beyond this date. Given the significant uncertainties surrounding the nature and extent of any transition period with the EU, the market conditions that prevail after any such transition period and the funding model that will be deployed, we will continue to press the UK Government for greater clarity. In parallel we have worked collaboratively with the Brexit Roundtable to look at the impact of scenarios, including where less funding is available.

Recommendation 8

The Welsh Government should progress contingency planning to address any shortfall in funding if the UK Government does not maintain current levels of EU funding after Brexit.

Response: Accept

My Department is heavily engaged in planning post Brexit and actively engaging the sectors encompassed by the portfolio on sectorial readiness against a range of scenarios. As there remains significant uncertainty as to what conditions will ultimately prevail on EU Exit, this work will need to be constantly updated to reflect the latest position, including in terms of the levels of funding that will be available where we continue to seek assurance and greater clarity from the UK Government.

Recommendation 9

The Welsh Government should publish its projections for when Bovine TB will be eradicated in Wales and should provide information on the associated cost reductions.

Response: Accept in principle

Targets were announced for the eradication of bovine TB for each of the TB Areas and Wales as a whole was announced in December 2017. If these targets are achieved Wales will be Officially TB Free (OTF) by 2041. The targets are intended to

be ambitious and to stretch us to ensure we achieve eradication as soon as is possible.

It is not possible to reliably forecast the associated cost reductions. This is because costs are linked to policies on compensation, surveillance and case management, the future details of which are not known. It is also important to recognise that while there remain to be endemic disease levels in Wales the continuing investment is necessary to drive progress. However, as we approach eradication we expect to realise significant savings associated with compensation because fewer and fewer animals will need to be slaughtered for TB control.

With declining numbers of TB breakdowns there will also be reductions in the costs associated with managing and following up on those breakdowns. Eventually, when Wales is OTF, it may also be appropriate to reduce the frequency of surveillance testing to reflect the fact that the disease is no longer endemic.

Recommendation 10

The Welsh Government must, in discussion with Natural Resources Wales (NRW), keep under review the capacity of NRW to fulfil its responsibilities and statutory functions. The Welsh Government should provide an initial report on this matter to the Committee within six months.

Response: Accept

Regular meetings are held with NRW to review their capacity to fulfil responsibilities and statutory functions. The Welsh Government will report back to the Committee on this matter in June 2018.

Recommendation 11

The Welsh Government should report back to the Committee within the next six months with details of how the £2.3 million of funding is allocated for marine and fisheries. This should include details of the spending plans for the additional £0.5 million allocated to marine and fisheries.

Response: Accept

A report will be produced in June 2018 detailing the spending plans for the marine and fisheries allocated budget.

Recommendation 12

The Welsh Government should provide further information to the Committee on any discussions with the MPA Management Steering Group in determining how the additional funding for marine and fisheries should be allocated, including whether

any consideration was given to funding an area-based approach to MPA management.

Response: Accept

An additional £0.5 million has been allocated to marine and fisheries to meet additional budget pressures. These pressures are largely driven by preparation for EU Exit and marine and fisheries sector readiness, work required for the implementation of the Wales Act 2017, the final phase of development and the implementation of Wales' first Marine Plan and the need to build on our current programme to help ensure our network of MPAs achieve and remain in favourable condition. As these are developing work areas it is not possible to offer a breakdown of how the £0.5 million will be allocated at this stage. This information will be provided to the Committee within the next 6 months.

The Welsh Government is working with the MPA Management Steering Group to consider how some of the additional funding could best be used for MPA management. Given the demands on resources I would expect to see an approach which targets action and activity where it will have the greatest impact on improving and maintaining the condition of the MPA network as a whole. An update will be provided to the Committee within the next 6 months.

Recommendation 13

The Welsh Government should work with National Parks to explore how they can raise revenue. This should include support to develop plans to realise their potential for income generation. The Welsh Government should report back on progress within six months.

Response: Accept in part

The Welsh Government acknowledges it is in the best interest of both National Parks and National Park Authorities if resources in support of the landscape of the areas are derived from a wide range of sources. The Welsh Government has worked with the National Park Authorities during the Future Landscapes Wales process to explore ways of diversifying the funding base which included raising their own income. Whilst such an approach can help mitigate the impact of budget cuts to the Authorities from the Welsh Government, it is also an acknowledgement that much of the work in support of the purposes of National Parks needs to be taken forward in collaboration with a wide range of partners who are already making spending decisions which can impact positively or negatively on the landscape.

The Welsh Government will explore further with the Parks their plans for revenue generation and share with them the recent experience of CADW. Whilst the development of plans specifically on this issue is a matter for the individual Park Authorities, the Welsh Government agrees that clear policies and plans for revenue generation which have considered the merits and potential pitfalls of different approaches are advisable.

Recommendation 14

The Welsh Government should update the Committee on its projections for when it will meet its fuel poverty target.

Response: Accept in principle

We continue to invest significantly in our energy efficiency and fuel poverty programmes to improve the energy efficiency of low income homes throughout Wales, helping people to keep warm and healthy.

However, some of the key factors which influence whether a household is in fuel poverty are not devolved. Powers over Welfare Reform and the regulation of the retail energy market rest with the UK Government and changes in these areas can have a significant impact on the levels and severity of fuel poverty in Wales. Despite our limited powers, we are making progress. Latest modelled figures estimate fuel poverty in all households has reduced in Wales from 29% in 2012 to 23% in 2016. Updated fuel poverty figures will also be available at the end of 2018 as part of the Welsh Housing Conditions Survey and we will use this data, once available, to help determine our future actions and realistic timescales.

Fuel poverty is also being considered in the context of decarbonisation and how we improve the quality of our existing housing stock to meet our challenging carbon commitments. We have established a cross-departmental resource to look specifically at decarbonising domestic buildings, including those occupied by the fuel poor.

Recommendation 15

The Welsh Government should consider the lessons learnt from the pilot can and bottle deposit scheme in Scotland before progressing any such pilot work in Wales. The Welsh Government should keep the Committee updated on progress in this area.

Response: Accept

The Welsh Government is liaising closely with the Scottish Government to share their experience of initiatives and pilots regarding container deposit return schemes. This will be taken into account in considering feasibility studies in Wales. We will keep the Committee informed of the progress made in the deposit return feasibility work.