Dear Mike

Welsh Government Draft Budget 2019-20


On behalf of Hannah Blythyn AM, the previous Minister for Environment and myself, the formal response required to all 31 recommendations is enclosed. It is also noted on request of the Committee recommendation 26 will have further responses on progress in six months.

Regards

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Gweinidog yr Amgylchedd, Ynni a Materion Gwledig
Minister for Environment, Energy and Rural Affairs
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 2019-20

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

Recommendation 1

The Welsh Government accepted this Committee’s recommendation in its report on the draft budget for 2018-19, that, “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”. The Welsh Government should explain how its approach to the draft budget 2019-20 reflects the Committee’s recommendation.

Response: Accept

The Welsh Government accepted this Committee’s recommendation in its report on the draft budget for 2018-19, that, “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”. The Welsh Government should explain how its approach to the draft budget 2019-20 reflects the Committee’s recommendation.

The Welsh Government’s programme for government, Taking Wales Forward 2016-21 and the national strategy Prosperity for All, set out the government’s priorities to deliver its long-term aim to create a Wales which is prosperous and secure; healthy and active; ambitious and learning and united and connected. They set out how we will respond to the Well-being of Future Generations Act and our well-being objectives to deliver the greatest impact with reducing resources. The Prosperity for All annual report sets out the progress made towards delivering our well-being objectives.

From the start of the budget process we have focused on how we can take further steps to embed the principles and the five ways of working in the Well-being of Future Generations Act into the budget process. The Act plays a fundamental role in guiding the budget process to ensure, as a government, we think about the long-term; work with people and communities; take a preventative approach to try and stop problems from happening in the first place and a more joined-up, cross government and public sector approach to addressing issues.

This year our detailed budget proposals are set out in alignment with our well-being objectives, and the strategic integrated impact assessment of these allocations also followed this alignment. As our approach continues to evolve and mature we feature in both draft Budget documents a series of case studies to demonstrate how we are embedding the Well-being of Future Generations Act into the budget process, how it is guiding our activities and helping to inform our decisions.
As the Future Generations Commissioner said in her evidence to the Finance Committee she sees the Act providing an overarching framework for strategic impact assessment. Our integrated impact assessment tool that was launched in July has integrated our existing assessments using the framework of the Act. We recognise that an integrated approach to assessing impact is vital in fulfilling the requirements of the Act and working towards achievement of the Well-being Goals in Wales. This tool will also provide evidence of how the five ways of working have been considered throughout the process.

**Recommendation 2**

The Welsh Government should report back to this Committee on any consultation with stakeholders it has undertaken to inform the development of the draft budget. If there has been no consultation, the Welsh Government should explain why.

**Response: Accept**

The budget planning process across the portfolio is underpinned by the Well-being of Future Generations (Wales) Act 2015 and we have focused on how we can take further steps to embed the principles and the five ways of working in the Act into the budget process. This means the Act plays a fundamental role in guiding the budget process to ensure, we work with people and communities; and take a more joined-up, cross-government and cross-sector approach to addressing issues.

For example, the Enabling Natural Resources and Well-being Grant is evidence of involving stakeholders for this 3rd Sector Grant. A range of evidence was drawn upon to inform the change in the approach to funding across the previous Environment Grant Schemes, including evidence from Wales Audit Office and feedback on evaluation from the evaluation of the Core Grant. The third sector and local authorities were asked for their views, and they supported the creation of the joint grant.

The Waste budgets are managed collaboratively with local authorities and WRAP. For example, the Collaborative Change Programme (CCP) is a Welsh Government programme set up in 2010 in partnership with the WLGA to develop sustainable local authority waste management services. It is now being adapted to include work on behaviour change to promote increased public participation in recycling and move local authorities faster towards 70% recycling.

The delivery of the Rural Development Programme, an investment of £26.5m revenue in 2019-20 and £19.7m capital over 2019-2021, is through engagement, co-production and collaboration.

We are making good progress to ensure we embed the principles of the Well-being Act with particular attention to collaboration and consultation with stakeholders across all of out budget decisions.
Recommendation 3

The Welsh Government should report back to this Committee on the reasons for the omission of decarbonisation as a sixth Prosperity for All priority.

Response: Accept

The sixth priority area was omitted from the evidence paper in error. However, decarbonisation plays a key role across the portfolio areas which have been documented within the evidence paper. We want to place decarbonisation at the front and centre of everything we do and ensure the Government is held accountable for delivery.

In March, the Welsh Government will publish its first Low Carbon Delivery Plan, which will propose how Wales will reduce carbon emissions and achieve its first carbon budget.

BREXIT

Recommendation 4

The Welsh Government should seek a commitment from the UK Government that future funding arrangements for farming and land management support will be developed in partnership with the devolved administrations and that there will be parity of esteem between partners.

Response: Accept

DEFRA and Devolved Administration Ministers meet on a regular basis - the quadrilateral on 14 January will be the twelfth since November 2016.

We will continue to seek tangible commitment from the UK Government to develop arrangements in partnership and that – as we have said from the outset - Wales should not lose a penny as a result of leaving the European Union. We were promised this ahead of the EU referendum, and we expect the UK Government to ensure this happens.

We look forward to the intra-UK allocations review, due to begin in January 2019. It is important that this review is undertaken in a timely manner as the farming community are understandably anxious about the future. We continue to press the UK Government for clarity on the terms of reference of the review and in particular how the findings will be used. Wales must gain fair funding as a result of this process.

Recommendation 5

The Welsh Government should give a commitment that additional, new funding will be made available for the establishment of the new schemes.
Response: Reject

The new schemes will be funded by the Welsh Government, but we cannot give a commitment to additional or new funding before the impact of leaving the European Union is known, or before the outcome of the 2019 spending review.

FUTURE AGRICULTURAL POLICY IN WALES

Recommendation 6

The Welsh Government should provide further assurance that sufficient funding is available within the draft budget 2019-20 to enable preparatory work to be undertaken, including detailed modelling, impact assessments and the establishment of pilot schemes.

Response: Accept

The Welsh Government agrees there is important preparatory work which must be concluded before new schemes can be established. As set out in Brexit and our Land, no changes to farm payments will be made without further consultation. Further analysis, including modelling and impact assessments, will be a key requirement. This analysis will require funding and the Welsh Government commits to ensure it is adequately funded.

Over 12,300 responses to the consultation have been received and they are currently being analysed. Once this process has been completed, the Welsh Government will set out next steps in further detail. This will include more information on the nature of analysis, how it will be funded and the potential role of pilots.

Recommendation 7

The Welsh Government should, as a matter of urgency, undertake an impact assessment of the decision to widen access to the proposed schemes from farmers to land managers.

Response: Accept

As noted above, Brexit and our Land committed Welsh Government to produce appropriate analysis, including modelling and impact assessments. Future analysis will require appropriate assumptions to be made about future policy. Welsh Government intends to use consultation responses to determine these assumptions. This will need to include scheme eligibility.
FARMING SUPPORT SERVICES

Recommendation 8

The Welsh Government should undertake an assessment of the resources that will be required to ensure there is sufficient advisory capacity before the transition to new schemes begins. This should include a breakdown for 2019-20 and 2020-21.

Response: Accept

The scale of resources for advisory capacity will depend upon policy decisions on the nature of new schemes; the period for which resources will be required will depend upon policy decisions on the transitional timetable. An assessment of both aspects will be made in the light of responses to the consultation. A breakdown will be provided to the committee once the detail and likely demands of the scheme are known.

ENVIRONMENTAL GOVERNANCE

Recommendation 9

The Welsh Government should provide further details on how any preparatory work associated with the establishment of a new environmental regulatory body will be met within existing allocations in the draft budget 2019-20.

Response: Accept

Work is on-going to consider the appropriate scope of such a body, including at what level it should operate. It would be premature to make any determinations on the body, and any costs, until we have consulted on its scope and role and sought the views of stakeholders. We will be publishing our consultation in the New Year. Once the scope, functions and geographical scale have been determined, details of costing will be provided.

Recommendation 10

The Welsh Government should report back on why it believes the Future Generations Commissioner’s Office is an appropriate model for the establishment of an environmental governance body.

Response: Accept

The Future Generations Commissioner role was established with a specific purpose, role and constitutional structure, which was appropriate to support the sustainable development duty on public bodies in the Well-being of Future Generations (Wales) Act. Any new environmental oversight body would need to be established with its own purpose and role and the constitutional framework would need to be appropriate for its functions.
Of existing independent bodies the Future Generations Commissioner appears the closest to the likely function of an oversight body and therefore provides a reasonable comparator. However it only provides one model and we are considering a variety of models to help identify the most appropriate constitutional framework for a new environmental oversight body.

The role of any new environmental oversight body operating in Wales would need to be in alignment with the existing accountability bodies already representing Welsh interests, including the Future Generations Commissioner.

**BREXIT STAFFING**

**Recommendation 11**

The Welsh Government should provide details of how and when decisions will be taken to determine whether the new posts to support Brexit work should be retained beyond 2020. The Welsh Government should clarify whether these decisions will be made in time to inform the next budget planning round.

**Response: Accept**

The funding for the posts is time limited at this point, but the recruitment is being done in a way that would enable some to become permanent if we judge it appropriate nearer the time.

Staffing levels will clearly depend on the outcome of the Spending Review and discussions with the new First Minister and Cabinet about overall budget allocations, taking account of latest circumstances (including the position on Brexit).

We should be in a better place to judge medium-term staffing implications arising from Brexit post-March.

**DECARBONISATION**

**Recommendation 12**

The Welsh Government should provide this, and other relevant Assembly Committees, with its forthcoming carbon delivery plan, and future iterations, in draft to enable the Assembly to inform its development.

**Response: Accept in Principle**

Although we are not required by legislation and this is not the practice at the UK Government level, I have agreed to send the Committee the first Low Carbon Delivery Plan in advance of publication. Due to the short timescales and due governance process, we can not share it any earlier. In terms of future publications it
will be down to the Government at the time to determine, as each new plan will need to be delivered within the first year of a new Government.

**Recommendation 13**

The Welsh Government must publish, alongside its carbon delivery plan, a detailed cost benefit analysis of each of the actions included in the plan.

**Response: Reject**

The Environment (Wales) Act reflects the National Assembly's intention with regard to proposals and policies for meeting carbon budgets and does not require us to publish an assessment of the cost and impact of each intervention. This is similar to the situation in Scotland and at the UK level. Departments are expected to consider the cost and impact of all interventions as part of the policy development process. In addition, we are assessing the contribution of the Plan to the national well-being goals and will publish a sustainability appraisal alongside the Plan.

**Recommendation 14**

The Welsh Government must use its detailed analysis of Fuel Poverty estimates, expected in early 2019, to set a timetable for the eradication of fuel poverty. It should report back on this Committee as soon as it has done so.

**Response: Accept**

Revised estimates to assess the level of fuel poverty in Wales have been commissioned. They are expected to be published in the summer of 2019 and will inform the development of outcome focused objectives designed to better tackle fuel poverty in Wales from 2019 onwards. A timetable for the development of the outcome focused objectives should be published early in 2019.

**Recommendation 15**

The Welsh Government should report back to this Committee on its timetable for the development of a new fuel poverty plan. It should provide this Committee, and other relevant Assembly Committees, with its fuel poverty plan in draft, to enable the Assembly to inform its development.

**Response: Accept**

The Welsh Government's plan for tackling fuel poverty will be published in the form of draft outcome focused objectives for consultation with statutory committees and the cross party group on fuel poverty.
Recommendation 16

The Welsh Government should report back to this Committee at an appropriate time on whether it has decided to continue funding the Housing Conditions Evidence Programme beyond March 2019.

Response: Accept

The Welsh Government has taken the decision to extend the Housing Conditions Evidence Programme for a further two years until March 2021.

NATURAL RESOURCE WALES

Recommendation 17

The Welsh Government should report back to this Committee on progress on securing additional funding from the UK Government to address the funding shortfall arising from newly designated improvements to reservoirs required under the Reservoirs Act 1975.

Response: Accept

Discussions are under way to secure additional funding arising from the implications under the Reservoirs Act 1975. I will report back to the committee on the outcome in June 2019.

Recommendation 18

The Welsh Government should report back to this Committee within the next six months on the progress of discussions relating to NRW funding, including options to increase NRW’s ability to generate income and for a longer-term funding settlement.

Response: Accept in Principle

This is an ongoing discussion which officials are undertaking with the Interim Chair and Chief Executive of NRW, as they already have the ability to generate income. I will update the Committee by 27 May 2019.

Recommendation 19

The Welsh Government should set out any additional or new duties it expects NRW to implement during this budgetary period and identify the funding that has been allocated for those purposes.

Response: Accept
This information will be available in the remit letter I will issue to NRW at the end of March 2019.

Recommendation 20

The Welsh Government should provide further details about the additional £0.7m that has been allocated in relation to the outcome of NRW’s job evaluation exercise.

Response: Accept

In February 2018, the Minister for Environment wrote to the Chief Executive of NRW, with my support, to agree the change in staff terms and conditions as set out by NRW. However, as part of that agreement, NRW were asked to consolidate the pay award into pay in 2018/19. The Minister asked the Chief Executive to ensure her staff discussed the financial implications for this. A figure of £0.7m was agreed and added to NRW’s core GIA for 2018/19.

BOVINE TB

Recommendation 21

The Welsh Government should report back to this Committee in April 2019 on progress of the TB Eradication Programme. This should include an update on the reduction of the incidence of bovine TB and the payment of compensation.

Response: Accept

I have committed to make a statement on progress with the refreshed TB Eradication Programme in April 2019 once the full calendar year statistics and TB Dashboard are available. The statement will provide an update on TB incidence in Wales as well as reports on key aspects of the Programme, including TB compensation arrangements.

Recommendation 22

The Welsh Government should report back to this Committee on the progress of TB vaccination pilots. This should include information on their anticipated scale and cost.

Response: Accept

The Welsh Government accepted this Committee’s recommendation and will report back to this Committee with an update on the progress of all the TB vaccination projects once the expenditure has been finalised for the financial year 2018-2019. The current draft expenditure on the badger vaccination grants for this financial year is £46,000 to date and the area covered is 16.88km².
The work on the Gower vaccination project is still ongoing and the Gower vaccination group are currently securing funds to which OCVO has committed to price matching up to a maximum of £100,000 per year for 4 years. The Gower is 188km² and the vaccination work is estimated to cover up to 100km²

**AIR QUALITY**

**Recommendation 23**

The Welsh Government must report back to Committee on the take-up of the Air Quality fund. This should include information about the local authorities that have drawn on the fund and the progress that has been made as a result of that funding. The Welsh Government should also explain how it will evaluate the effectiveness of the use of allocations from the fund.

**Response: Accept**

The Air Quality Fund has been prioritised for use by Caerphilly County Borough Council and Cardiff Council. These are the only local authorities in Wales that have been directed to take action to address exceedences of nitrogen dioxide. The authorities have, to date, submitted their scoping reports and interim plans. They are now developing full business cases to support the measures they propose to take to deliver compliance with legal limits in the soonest time possible. Final plans are required by end June 2019.

To date, the authorities have been awarded funding of £1.1m in total, and grant of £117k has been claimed. This funding has been used to support their feasibility studies, including air quality assessment and modelling work.

The bulk of the funding will be required during 2019/20 and 2020/21 when the authorities introduce the measures to bring forward compliance. These measures could include, for example, a charging Clean Air Zone which would require fixed infrastructure including cameras and signage.

A specialist review panel has been established to provide Welsh Government with independent assurance on the local authority plans that are being funded from this budget.

**Recommendation 24**

The Welsh Government should provide this Committee with its Clean Air plan in draft, so that the Committee can inform its development.

**Response: Accept**

There is ongoing work on a range of Air Quality actions whereby a draft Clean Air Plan will be shared with the Committee by November 2019.
Stakeholder consultations will progress early in 2019 in order to inform the actions required with the plan. The Committees’ involvement is welcomed in this process.

Recommendation 25

The Welsh Government should report back to this Committee on progress towards establishing the Air Quality and Assessment Centre for Wales.

Response: Accept

This summer, the Welsh Government established the Clean Air Programme for Wales to reduce the burden of poor air quality on human health and the natural environment. In the nearer term, it will support delivery of actions required to comply with our European and domestic legislative air quality obligations.

This programme will consider evidence and develop and implement actions required across Government Departments including environment, health, education, decarbonisation, transport, local government, planning, agriculture and industry to achieve Clean Air for Wales. An Evidence, Innovation and Improvement project has been set up under the Programme which aims to enhance the understanding of airborne pollution in Wales to support the development of policy and to drive improvements in air quality in Wales where they are needed the most. Ultimately this will be delivered through the creation of an Air Quality Monitoring and Assessment Centre, although initially actions will be delivered through a phased approach of procured evidence.

The development of an Air Quality Monitoring and Assessment Centre will enable a more proactive management of air quality in Wales, moving to prevention rather than mitigation. As this is a significant measure it requires careful design and planning in order to be effective.

A project plan and business case is currently being developed for this workstream, and a project board will be convened to provide advice and support actions necessary to support the development of the center.

It is anticipated that the development of the Centre will commence in late 2019.

FLOOD AND COASTAL EROSION RISK MANAGEMENT

Recommendation 26

The Welsh Government must report back to Committee on the take-up of the Coastal Risk Management Programme (CRMP) within 6 months. This should include information about the local authorities that have drawn on the fund and the progress that has been made as a result of that funding. The Welsh Government should also explain how it will evaluate the effectiveness of the use of allocations from the fund.

Response: Accept
The Welsh Government can inform the Committee on those schemes which have already received support in producing their business cases and which have been included in the Coastal Risk Management Programme. It remains for the local authority to secure the funding and deliver over the 3 year period. My officials will provide the Committee with a report on the progress of the Coastal Risk Management Programme.

The programme has completed its first review and remains subject to ongoing evaluation with the support of its Programme Board to ensure it meets its aims to reduce risk to coastal communities. This Government’s approach to coastal risk management was reported on by the Auditor General for Wales and Public Accounts Committee in 2016 and 2017 respectively.

**Recommendation 27**

The Welsh Government should report back to this Committee on its progress in attracting alternative sources of investment for flooding and coastal risk management interventions.

**Response: Accept**

Partnership funding is now included in the prioritisation methodology for the flood and coastal erosion risk management programme, agreed by its Programme Board earlier in 2018. We want to better understand the opportunities for partnership contributions and have identified this as a measure in the forthcoming National Strategy, following discussions with Risk Management Authorities and a Public Accounts Committee recommendation in its 2017 report.

**PLANNING**

**Recommendation 28**

The Welsh Government should report back to this Committee on its anticipated timetable for the energy consenting Bill.

**Response: Reject**

Preparatory work towards an Infrastructure and Planning Bill is being undertaken utilising existing Planning and Regulation budgets. However, due to other Government priorities, the Bill is not within the Welsh Government’s current Legislative Programme. Further revisions and announcements on the Government’s Legislative Programme will be made in due course.
Recommendation 29

The Welsh Government should provide an update on the implications of the reduction in the planning inspectorate budget for the operations of the planning inspectorate. The Cabinet Secretary should set out her plans for this policy area.

Response: Accept

The Welsh Government currently provides a budget of £2.52m to the Planning Inspectorate (PINS) for its operations in Wales, with additional funding obtained through chargeable work, such as development plan examinations and compulsory purchase inquiries. The budget covers the direct running costs of the dedicated Inspector resource for Wales, the office staff based in Cathays Park, accommodation costs and a percentage of PINS overhead costs to cover joint central service provision including finance, HR and ICT. PINS Wales is currently led by a Director for Wales who reports to the Chief Executive and is directly accountable to the Cabinet Secretary for Energy, Planning and Rural Affairs. PINS Chief Executive is currently undergoing a process of restructuring the organisation, which is likely to result in some savings to the overhead element of the charges for Wales. The demand-led nature of the case load means it is difficult to predict how much income will be generated from chargeable work and the outturn in any given year can be different from the allocated budget by more than 10%. The anticipated reduction in the budget figure can be accommodated within the normal budgeting parameters.

The need for a separate Inspectorate was raised as part of the consultation on the Planning Act 2015 and was rejected at that time due to insufficient evidence. The Welsh Ministers have, however, kept that decision under review since that time. The restructuring exercise currently being undertaken by the Planning Inspectorate Chief Executive has led reconsideration of the position. The options and costings for providing a separate service in Wales are currently being assessed and will depend on what service delivery model is chosen. Given the economies of scale currently gained by being a small element of a larger organisation, costs of a fully independent service are likely to rise.

THIRD SECTOR FUNDING

Recommendation 30

The Welsh Government should report back to this Committee about any impact assessment that has been undertaken in relation to her decision to merge several grants into one project-based grant, the “Enabling Natural Resources and Well Being Grant”. The Welsh Government should provide further information about what it believes the impact of this decision will be.

Response: Accept

The decision to create a new grant by merging the previous grants was taken in response to emerging evidence from a number of sources, including the experience gained from operating the previous grant schemes and in light of continued pressure
on baseline budgets. The available evidence also identified that the previous sector and topic based grants schemes did not clearly support the direction of legislation and policy and needed to be strengthened.

The development of the Enabling Natural Resources and Well-being (ENRaW) grant is placed firmly within the context of Welsh legislation as set out in the Well-being of Future Generations (Wales) Act 2015 (WFG) and the Environment (Wales) Act 2016.

The new grant supports implementation of key elements within the Natural Resources Policy for Wales (NRP) which has undertaken and published a number of impact assessments in line with Welsh Government requirements.

The design of the ENRaW grant scheme takes into account the requirements of broader legislation relating to Equality, Children’s Rights, Welsh Language and Biodiversity. A range of impact assessments were undertaken as part of developing the grant. Each impact assessment addressed a range of issues as dictated by the focus of the impact assessment in line with the general approach taken by Welsh Government.

In addition, Welsh Government undertook a number of co-design events with a wide range of cross sector stakeholders and also worked closely with the recipients of previous grants to understand the impact of the change from their perspective and to assist them understanding the new grant and in identifying future opportunities.

The Enabling Natural Resources and Well-being Grant draws in additional resources available through the Rural Development Programme. As a result, the resources available have increased, allowing additional investment to be made to support collaborative cross sector projects. Projects are also now required to clearly evidence well-being outcomes across the seven well-being goals, demonstrating the contribution that natural resources make across economic, social, cultural and environmental well-being. Early indications suggest a positive response to the first call for proposals has been achieved by the new grant.

It is anticipated that the new grant will have a positive impact on individuals groups, communities, collaborative working and sustainability of activity. The programme will strengthen Wales’ natural resources to ensure that Wales has increasingly resilient and diverse ecosystems that are managed to deliver economic, social and environmental benefits.

The ENRaW grant call for proposals closed on 3rd December. The call for proposals has been extremely successful and has received 83 applications, some with multiple projects, from a broad range of cross sector collaborations. The applications are currently being assessed and it is hoped that successful projects will begin early in the next financial year.
WASTE

Recommendation 31

The Welsh Government should provide further information about the allocation of £2.8m to give effect to the “reversal of [a] previous cut” in relation to the Waste Specific Grant to Local Authorities. This should explain the purpose of the grant; the reasons for the previous reduction; and the reasons for reversing the reduction.

Response: Accept

£2.8m has been reallocated to the Sustainable Waste Management Grant (SWMG) to replace funding transferred to the Revenue Support Grant for local authorities. The SWMG supports local authorities to provide sustainable waste management services and achieve higher recycling in line with statutory waste targets under the Waste (Wales) Measure 2010.