

Agenda – Climate Change, Environment and Rural Affairs Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: 16 January 2020

Meeting time: 09.00

For further information contact:

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Committee Clerk

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Pre-meeting (09.00–09.15) PRIVATE

- 1 **Introductions, apologies, substitutions and declarations of interest**
(09.15)

- 2 **Welsh Government's draft budget 2020–21 – Scrutiny of the Minister for Environment, Energy and Rural Affairs**

(09.15–10.45)

(Pages 1 – 70)

Lesley Griffiths AM, Minister for Environment, Energy and Rural Affairs

Tim Render, Director Land, Nature and Food – Welsh Government

Gian Marco Currado, Director Environment and Marine – Welsh Government

Dean Medcraft, Director of Finance, Operations and Commercial – Welsh Government

Christianne Glossop, Chief Veterinary officer – Welsh Government

Attached Documents:

Research brief

Paper – Minister for Environment, Energy and Rural Affairs

Paper – Future Generations Commissioner for Wales



Break (10.45–11.00)

3 Welsh Government's draft budget 2020–21 – Scrutiny of the Minister for Economy and Transport

(11.00–12.00)

(Pages 71 – 114)

Ken Skates AM, Minister for Economy and Transport

Simon Jones, Director Economic Infrastructure – Welsh Government

John Howells, Director of Housing and Regeneration – Welsh Government

Dean Medcraft, Director Finance & Operations – Welsh Government

Attached Documents:

Research brief

Paper – Minister for Economy and Transport

4 Paper(s) to note

4.1 Welsh Government response to the Committee's report on The Welsh Government's progress on Marine Protected Area management

(Pages 115 – 126)

Attached Documents:

Letter and response

4.2 Correspondence from Jeremy Miles AM, Counsel General and Brexit Minister to the Chair of the External Affairs and Additional Legislation Committee – response to follow-up work on Brexit preparedness

(Pages 127 – 133)

Attached Documents:

Letter

**4.3 Correspondence from the Director, Chartered Institute of Housing Cymru –
National Development Framework**

(Pages 134 – 137)

Attached Documents:

Letter

**5 Motion under Standing Order 17.42 (vi) to resolve to exclude the
public for the remainder of the meeting.**

PRIVATE MEETING 12.00 – 12.15

**6 Consideration of evidence received under items 2 and 3
(12.00–12.15)**

Document is Restricted

Climate Change, Environment and Rural Affairs Committee

Date: Thursday 16 January 2020

Time: 09:15 – 10:45

Title: Evidence paper – Draft Budget 2020-21
Cabinet Secretary for Environment, Energy and Rural Affairs

Purpose

1. This paper provides information to the Climate Change, Environment and Rural Affairs Committee on the Environment, Energy and Rural Affairs (EERA) (MEG) proposals outlined in Draft Budget 2020-21, published on 19 November. It also provides an update on specific areas of interest to the Committee.

Background

2. The draft budget 2020-21 provides a one year plan for revenue investment and the final year of the three year for capital investment. The tables below provide an overview of the Environment, Energy and Rural Affairs (MEG) as published in Draft Budget 2020-21.
3. The draft budget figures are summarised as follows:

Table 1. Summary changes to EERA MEG Draft Budget 2020-21

EERA MEG			£m
EPRA Summary	2019-20 1 st Supp £m	Changes	2020-21 Draft Budget £m
Resource DEL	189.704	5.391	195.095
Capital DEL	87.061	43.931	130.992
Total DEL	276.765	49.322	326.087
Resource AME	2.400		2.400
Total AME	2.400		2.400

4. To enable a like for like comparison of the 2019-20 budgets at 1st Supplementary with the 2020-21 draft budgets, the attached Budget Expenditure Line (BEL) table will detail all of the movements from both MEG to MEG and Intra MEG changes.

2020-21 Draft Budget – Resource

5. The October and November Cabinet presented indicative MEG level allocations, focussing on additional funding across the eight cross cutting priority areas and funding in relation to the negative consequential as a result of the Non-Domestic Rates (NDR) adjustment, with the aim to publish the draft budget on 19 November with the final budget on 4 February 2020.
6. The indicative allocations show there has been a net increase of £5.391m (2.8%) to the EERA Resource budgets. This includes reductions to the MEG in respect of previous year non recurrent funding.
7. The revenue changes are shown below in the table which reconciles the 2018-19 1st Supplementary budget to the current draft budget for 2019-20.

Table 2. Summary Resource Budget Changes 2020-21

	2020-21 Draft Budget £m
Opening Budget (2019-20 1st Supp)	189.704
Pressure Funding from Central reserves	5.182
Funding for Coastal Risk Management Programme	2.600
NDR Adjustment – Reserve Funding	2.000
Cross Cutting Allocations	1.900
EU Transition Funding	0.170
Less Movements from EERA MEG	
2019-20 EU transition Funding	(2.310)
Cessation of Plaid Cymru New Farm Entrants	(4.000)
Tfr Coastal Risk Management Fund to RSG	(0.151)
Closing Baseline Draft Budget for 2020-21	195.095

8. The indicative resource allocations includes a £2.6m funding from reserves and a transfer of £0.151m to the Housing and Local Government MEG in respect of the Coastal Risk management Programme (CRMP). This Programme will provide for £150 million worth of investment in coastal risk management works across Wales, with Welsh Government contributing £112.5 million revenue funding in support. The programme will use the Local Government Borrowing Initiative model to finance the construction phase.
9. We have been allocated £0.170m for EU Transition funding in respect of Sustainable brand Wales and Permitting and Licensing Application and hardware, the final year of the EU transition fund. There has also been a reduction of £2.310m for EU transition projects which completed in 2019-20 which no longer require funding.

10. Finally, there has been a reduction adjustment of £4m for the New Farm Entrants funding which was funding over the two year period 2018-19 to 2019-20 as part of the Plaid Cymru budget deal.
11. I have considered the additional allocations announced at the October Cabinet as well as the additional allocations for Cross Cutting Priorities and the NDR Allocations from Reserves at the November Cabinet, and after reviewing my pressures and priorities for next year, I have decided to allocate to the following budgets.

Table 3. Allocation of Additional Revenue from Cabinet 14 Oct and 4 Nov

	BEL	2020-21 Draft Budget £m
Source of Funds		
Additional Funding – Cabinet 14 October		5.182
Cross Cutting Priorities – Cabinet 4 November		1.900
NDR Allocations – Cabinet 4 November		2.000
Application of Funds		
Multi-species Database Development	2682	1.800
TB Compensation - Reduction in EU TB income	2269	1.500
Support Biodiversity Capital Funding	2825	0.739
Funding for Land Management Reform	2829	0.400
Fisheries EU Transition Funding 19-20	2870	0.743
		5.182
Home Energy and tackling Fuel Poverty	1270	0.400
National Forest Revenue Support	2827	0.500
Other Biodiversity, Peatland and Soils	2825	0.500
Biodiversity Task Force Pilot	2825	0.500
		1.900
Decarbonisation	3770	1.250
TB Slaughter Payments – Compensation Cost Pressure	2272	0.750
		2.000

2019-20 Draft Budget - Capital

12. The Welsh Government allocated the majority of capital budgets at the outset of the planning period during 2017-18, providing long term certainty and flexibility to manage the Government's investment in line with priorities up to and including 2020/21. For EERA, there has been a net increase in the capital budget of £43.931m in 2020/21 from the 2019-20 1st Supplementary Budget, and £53.385m increase from the Indicative Capital plans for 2020-21 outlined during 2017-18.
13. Capital investment on infrastructure plays a significant role in meeting the carbon reductions needed. The carbon impact of investment proposals was a key consideration in allocating funding for new capital investment alongside the Wales Infrastructure Investment Plan, and I am pleased to have been able to allocate significant capital investment across Decarbonisation and Biodiversity.

Table 4. Additional Capital Allocations 2020-21

Summary Capital Budget Changes	2020-21 Draft Budget £m	BEL
Opening Indicative Capital Budget 2020-21	77.607	
Air Quality priority area		
Air quality - Cardiff & Caerphilly	14.280	2817
Biodiversity priority area		
National Forest	4.500	2825
Natura 2000 Network - maintenance & enhancement	15.000	2825
Metal Mines programme	4.500	2230
National Peatland restoration	1.000	2825
Environmental Growth Fund	5.000	2825
Water quality improvements	5.000	2230
Agriculture		
Multispecies Wales Database	2.100	2862
Replacement CAP ICT Development	1.505	2789
EU Transition		
EU Transition Funding – Sustainable Brands	0.100	2970
EU Transition Funding – Compliant Wood packaging	0.150	2827
EU Transition Funding – Permitting and Licencing	0.250	2451
Closing Draft Capital Budget 2020-21	130.992	

2019-20 Draft Budget – Intra-MEG Movements

14. As part of my budgetary review, I have re-allocated and prioritised a number of revenue budgets to ensure that I have the right balance of investment across my portfolio to support the National Strategy “*Prosperity for All*” priorities. These are detailed below.
15. All remaining intra-MEG movements were budget re-alignments to better improve transparency, rationalise a number of smaller budgets to improve flexibility or where responsibilities have been moved within the portfolio.

Table 5. Intra MEG budget Movements

From BEL	To BEL	£m	Explanation
Environment Evidence and Support 2818	Strategy and Gov’ Relations 2816	0.696	Transfer of responsibilities and better budget alignment
Natural Resources Wales 2451	Local Environment Quality 2191	0.200	Transfer of responsibilities and better budget alignment
Other Plant Health Services 2821	Natural Environment 2825	0.052	Transfer of responsibilities and better budget alignment
Legislation and Policy Implementation 2865	Technical Advice Services	0.183	Transfer of responsibilities and better budget alignment
Agriculture Strategy 2829	EiD Cymru 2862	0.020	Support development of the Multi-Species Database
Local Authority Framework 2831	EiD Cymru 2862	0.400	Support development of the Multi-Species Database

Programme for Government – Prosperity for All

16. I have approached the budget preparations by looking at the evidence of needs and pressures in our priority areas in our National Strategy – Prosperity for All including Decarbonisation. This approach is reflected in my decision to invest in and protect our public services and preventative programmes and to balance short-term and long-term needs.
17. We are using this budget to help mobilise every community in Wales to play its part in responding to the climate emergency we face. Tackling climate change will require more than government spending alone. Therefore our most powerful initiatives are not necessarily those to which receive the highest financial investment but those which provide the opportunity for people in Wales to invest their time and energy to take direct action on tackling climate change.
18. The greatest physical risk to our communities from climate change is through the increasingly intense storms, flooding and coastal erosion which we are already witnessing in Wales. In this budget we are committing £64m to defending Welsh communities from the most severe and immediate impacts of climate change, as part of £140m of capital investment over this Assembly term. In addition, we are helping to raise a

further £150m over three years in collaboration with Welsh Local Authorities to protect more than 18,000 homes as part of our Coastal Risk Management Program.

19. The greatest risk to social justice in Wales arising from climate change is the impact on home energy costs. In this budget we are committing £36m, including £8m of European Union funding, to fund energy efficiency measures for 25,000 households. This investment will prioritise those in greatest need including people living with circulatory and respiratory conditions. This is important preventative spend, with research showing that our work is reducing demand on the NHS by protecting vulnerable individuals from damp and cold. Since 2010 we have invested more than £240m through this program, helping to lift tens of thousands of low income households out of fuel poverty.

20. Concerted cross government action is needed to shift our economy and society away from fossil fuels through greater electrification and efficiency. In this budget we are helping to mobilise businesses and communities across Wales to accelerate the transition in key economic sectors:

- Energy

We are investing £15m to create local low carbon energy systems in every part of Wales, taking a whole system approach so that we support a range of low carbon electricity and heat technologies that will best deliver according to the needs of communities and businesses in different locations. This funding will support our objective of achieving a carbon neutral public sector by 2030, and will continue to increase our support to the 70+ local and community-owned renewable energy generation projects across Wales in which we invest. This activity will be also supported by additional loan funding available through the Development Bank for Wales.

- Agriculture

In this budget we have committed £76m, including £40m of European Union funding, to support our farmers to adopt sustainable farming practices that make their businesses and our countryside more resilient to the impact of climate change. Our investments are supporting farmers as we continue to raise the regulatory baseline, with tighter environmental standards that secure the progress the sector has made through voluntary approaches, and ending poor practice where it still exists.

21. If we are to overcome the present climate emergency, we will need our natural environment to be in the best possible condition so that ecosystems are resilient to the shocks they face from a changing climate, and that we maximise the protective power of nature on which our wellbeing relies.

- Protected sites

The 112 most ecologically important nature sites in Wales are known collectively as a part of the Natura 2000 network that extends across the whole European Union. In this budget we have committed £15m to invest in improving the condition of these sites and strengthening the arrangements for managing them in the future.

- A National Forest for Wales

This year we signalled our intention to create a National Forest for Wales, with our long term vision for the forest to extend the full length of Wales. This will create new tourism opportunities, building on the success of the Wales Coastal Path, as well as absorbing our carbon emissions. In this budget we are kick starting the program by committing £5m to improve the condition and connectivity of our most precious ancient Welsh woodlands and to accelerate the rate of tree planting which, in the first three years of this assembly term has exceeded 16 million trees, equivalent to planting more than 14,000 trees every day.

- Peatlands

Peatlands play a dual role in absorbing vast quantities of carbon emissions and supporting a rich suite of habitats and species. In this budget we are committing £1m to deliver the first year of a national peatland restoration program in support of our objective to bring under sustainable management all areas of peat supporting semi-natural habitat in Wales. As well as protecting the ability of peatlands to absorb carbon emissions, this preventative spend on better management reduces the risk of wildfires thereby saving the resources of the emergency services in tackling them.

- Water quality

We are committing £9.5m to tackle water quality issues that affect our rivers and other inland waterbodies. This includes £4.5m on remediating metal mines which, since they were abandoned in some cases more than 100 years ago, remain a major source of pollution of Welsh waters. Improving water quality will improve the health of the wider environment, making it more resilient to the impact of climate change.

- Marine conservation

We have been protected from much of the potential warming effect of greenhouse gas emissions as these have been absorbed by the sea. Yet this has caused ecological damage to our oceans which has only added to the damage from the World Wars and more recently by plastic pollution. In this budget we are committing £4.4m to taking action to restore more of our marine environment and to enable sustainable economic activity that does

not cause further damage, including support for the development of marine renewable energy technology.

- Access to nature

In this budget we are committing £10m to invest in collaborative action between local communities, businesses and public bodies through a range of grant schemes, including our Enabling Natural Resources and Wellbeing grant. The projects funded through the scheme are designed to be a catalyst for long term collaboration on tackling climate change, pollution and other critical pressures on our natural environment.

- Environmental Growth Plan

The First Minister's manifesto commits to development of an Environmental Growth Plan to articulate our vision for, and join up, our collective actions to halt and reverse the decline in nature and to grow the environment for the benefit of future generations.

The plan intends to be an overarching narrative for what we are doing across Welsh Government to deliver a greener Wales, setting a strategic, more joined-up approach, which is focussed on outcomes. Within the £137m general capital allocated across Welsh Government in 2020-21, there is £5m capital allocated specifically to Environmental Growth, aimed at projects to be seen 'from the doorstep'. We are considering options for how it could be utilised to best effect (using the External Reference Group) and including the possibility of a 'local places for nature fund' to encourage local action, where communities are encouraged to develop local, small scale Environmental Growth solutions.

Decarbonisation

22. We are focusing our budget preparations across Government on eight cross cutting priority areas where we can have the greatest impact over the long-term. This includes our priority of decarbonisation.
23. The 100 policies and proposals set out in Low Carbon Wales are the actions we have identified over 2016-2020 that will deliver our first carbon budget and 2020 interim target. It is these 100 actions based on the UK Committee on Climate Change (UKCCC) evidence that either directly reduce emissions or contribute to the transition to a low carbon economy in a fair way that will allow us to meet our legislative targets and enter us onto our emission reduction pathway.
24. Since the publication of our Plan, we have accelerated our ambition following the latest evidence presented by the Intergovernmental Panel on Climate Change last October. I have accepted the UK CCC's recommendation and intend to legislate to this effect in 2020. This represents Wales' fair contribution to the UK's commitment under the Paris

Agreement and demonstrates our commitment to tackling the Climate Emergency. We have also asked the UKCCC to explore what it will mean for Wales to go to net zero emissions.

25. We have started to develop the Plan and the policies and proposals to meet our second carbon budget. We already know that the increased ambition will mean an increased scale and rate of the policy effort required to meet our new target. These actions will need to be funded by the financial budgets relating to that period of time and will be determined by the actions we choose to take. We will be receiving further advice from the UKCCC around this next year.
26. Most spending decisions will influence a whole range of outcomes and based on our previous experiences when we are trying to deliver multiple benefits as a Government consistent with the Well-being of Future Generations Act, attributing each pound we spend to a single outcome does not accurately or meaningfully represent the link between spending and outcomes. Therefore our approach has been to identify projects that support emissions reductions can be given, rather than representing the entirety of the Welsh Government's spend on climate change mitigation.
27. We are also providing capital funding of £23m in 2020-21 to the Warm Homes programme, which includes Nest and Arbed. Over the programme period 2017-21 we will improve the energy efficiency of up to 25,000 homes across Wales and to provide stability and certainty for the energy-efficiency supply chain in Wales to grow their business. Our investment will also lever in up to £24m of EU funding, in addition to funding from the UK Energy Company Obligation (ECO).
28. At the summit on Climate Change on 16 October, the FM and I urged everyone – including businesses, public sector, communities and young people - to pledge to take action to tackle climate change in whatever way they can. It requires collective action and we want to share learning ahead of the United Nations Conference of the Parties (COP 26) next year and the publication of our All Wales Delivery Plan in 2021.

Preventative spend

29. Whilst it is difficult to specify the proportion of our budgets which are preventative, the carbon impact of investment proposals was a key consideration in allocating funding for new capital investment, alongside the Wales Infrastructure Investment Plan. Capital investment on infrastructure and preventative measures plays a significant role in meeting the carbon reductions needed.
30. We need to understand the impact of our policies to limit unintended consequences. This will include the development of our wider evidence base such as an emissions modelling tool. This will allow us to develop future

policies and proposals in a way that maximise the goals and limit unintended consequences.

31. In addition, in Prosperity for All: A Low Carbon Wales, the Welsh Government committed to establish a climate justice advisory group to ensure our transition avoids unintended consequences. Officials are now working with the Wales Centre of Public Policy to explore the evidence needs to ensure just transition combines' decarbonisation with a commitment to social and economic justice.
32. The National Strategy for Flood and Coastal Erosion Risk Management sets out the objectives for the management of flood and coastal erosion. There is a good level of evidence from existing flood risk maps (for river, coastal and surface water flood risk), Flood Risk Management Plans, local strategies, the National Flood Risk Assessment and the Communities at Risk Register. Recent research shows that an investment of £100m reduces risk for 7,000 homes and business, protects over 14,000 jobs and creates over 1,000 jobs. Additionally, spending money on maintenance reduces the risk of asset failure.
33. Our continued investment into Green Growth Wales shows how our innovative thinking is making budgets go further across Welsh Government. We are making investments which not only reduce emissions, but enable cash savings by public bodies spending less on their energy bills. It focuses in infrastructure projects which will reduce carbon emissions, including renewable energy generation, resource efficiency, and energy from waste projects.
34. By investing into tackling fuel poverty, we make a contribution to tackling a range of negative impacts including cold related health conditions, excess winter deaths, educational attainment of children and time off school and work due to sickness. Wales has 1.4 million homes across a wide range of housing types with 30% of households in Wales estimated to be in fuel poverty. The findings of research shows the Warm Homes Nest scheme is having a clear positive impact on the health of recipients with a reduction in the use of the NHS by those receiving energy efficiency measures through the scheme. These findings support our decision to extend the eligibility criteria for our scheme to include householders on low incomes who have a respiratory or circulatory condition.
35. Our investment in animal disease eradication programmes are preventative in nature. For example, the ultimate outcome TB Eradication Programme is the successful eradication of bovine TB, which will bring with it a reduction on eradication spend and compensation spend as well as a reduction to the consequential losses faced by the industry, thereby boosting the Welsh economy.
36. There are also Industry-led programmes which are funded by the Welsh Government's Rural Development Programme (RDP) and run by the Wales Animal Health and Welfare Framework Group with the aim of

eradicating both Bovine viral Diarrhoea (BVD) and Sheep Scab from Wales. BVD is a costly disease which can impact on the efficiency level of a farm as well as reducing the standard of the herd's welfare. Sheep scab is one of the most contagious diseases of sheep in Wales and has been identified as a disease priority by the Wales Animal Health and Welfare Framework Group.

Wellbeing of Future Generations

37. My draft budget preparations shows how I have sought to reflect the framework of the Wellbeing of Future Generations Act in setting our spending priorities. We reviewed current trends and future projections and their potential impacts in the short, medium and longer term. We did this to ensure, as far as possible, that short term responses do not have longer term detrimental impacts.
38. For example, our Warm Homes Programme makes significant contributions across many of Welsh Government's wellbeing objectives under our National Strategy "prosperity for all" including promoting good health and wellbeing. This is achieved through the creation of jobs and business opportunities, long term improvement of the housing stock, reducing carbon emissions and tackling fuel poverty and its range of associated negative impacts on health, wellbeing and educational attainment.
39. The Welsh Government is committed to safeguarding our marine environment for future generations, through the sustainable management of our natural resources. A key tool in achieving this objective is our network of 139 Marine Protected Areas (MPAs) which cover 69% of Welsh inshore waters and 50% of all Welsh offshore waters.
40. The Environmental Growth Plan intends to be an overarching narrative for what we are doing across Welsh Government to deliver a greener Wales, setting a strategic, more joined-up approach, which is focussed on outcomes. The seven well-being goals under the sustainable development principle provide a clear framework for creating the Plan, with the five ways of working underpinning the way we operate. For example the Environmental Growth plan will be long term and preventative aiming to halt and reverse the decline in nature. It aims to be integrated and collaborative across Welsh Government, the wider public service, engaging both the private and third sectors. The intention is also to deliver wider benefits such as using the natural environment to promote mental and physical health and well-being and removing barriers to health e.g. air pollution.
41. The First Minister's manifesto commitment for a new national forest will help support the aims of Woodlands for Wales, as well as priorities relating to biodiversity, commercial forestry, construction, community cohesion and regeneration, and health and well-being. The Welsh Government is

considering how to maximise these economic and environmental benefits and will work in collaboration with the public sector and other partners to identify preferred sites for planting. This is a major undertaking and it is essential we take the time to plan it properly to ensure success.

42. In *Sustainable Farming and our Land*, we proposed having Sustainable Land Management (SLM) as an objective for the new scheme. SLM is an internationally recognised concept and aligns with a number of aspects of the *Well-being of Future Generations Act*. The concept looks to the long term. It asserts while land should be used for the production of food its crucial farming practices do not compromise the land's long-term productive potential. To help attain the SLM objective, the new scheme has proposed a number of high-level outcomes which farmers and other land managers can deliver on their farm. There are environmental, social and economic outcomes, which include sustainable food, tackling the climate emergency and decarbonisation.
43. Improved management of our water environment is a Programme for Government 2016-2021 objective and a commitment in the national Water Strategy. Sustainable Drainage Systems, known by the acronym SuDS, describes an approach for the management of surface water. From 7 January 2019, it has been a requirement that all new developments in Wales of more than 1 house or where the construction area is 100 square metres or more, require SuDS for surface water. Implementing SuDS is especially relevant to cross-cutting objectives and strategies. It will help deliver Well-being Objectives for sustainable resilient infrastructure and nature based solutions, as prioritised in the Natural Resources Policy and Prosperity for All, through supporting sustainable, healthy and active communities and promoting green growth for a more resource efficient economy.
44. Activities such as raising flood awareness and construction of flood and coastal erosion schemes are proven to have a positive effect on the health of communities, through reduction in anxiety and mental health issues plus offering new opportunities for amenity, access and recreation. For example, our £16m Colwyn Bay scheme reduced the risk of flooding and coastal erosion to 192 properties with the added benefit of regenerating the area through providing tourism amenities, including a new water sports centre, and the creation of new jobs for the town alongside.
45. Finally, Natural Resources Wales have published their Well-being Statement, setting out seven well-being objectives. These well-being objectives have formed the basis of their Corporate Report for 2017-2022. NRW's priorities will be to develop their organisation and change how they work – adopting the sustainable management of natural resources and its associated principles and the five ways of working from the Well-being of Future Generations (Wales) Act.

Link to NRW Corporate Plan. - <https://naturalresourceswales.gov.uk/about-us/corporate-information/wellbeing-objectives/introduction-to-corporate-plan/?lang=en>

Evidence Based Policy Making

46. The Welsh environment underpins the agriculture, fisheries, tourism and forestry sectors, and is of importance to other policy areas including health and well-being, energy and infrastructure. In order to inform the development of policies that build social, economic and environmental resilience and to evaluate programme implementation we are investing annually in the Environment & Rural Affairs Monitoring and Modelling Programme (ERAMMP).
47. ERAMMP is delivering a programme of environmental monitoring and modelling; it collects and assimilates data, undertakes analysis and modelling and supplies policy teams, NRW and stakeholders with targeted evidence. It also delivers a strategic function, helping us to understand long term drivers, climate change for example, and impacts of change on the resilience of the environment, the benefits and public goods provided by our environment and broader social and economic impacts.
48. For example, I am taking forward the manifesto commitment to a National Forest in the form of a forestry programme that would deliver a range of benefits. ERAMMP will aid in establishing a National Forest by providing a range of evidence over four key phases. The evidence pack will support Forestry Policy in developing and evidencing the key aspects of the National Forest, specifically by supporting a business case which will specify the objectives and outcomes of the National Forest.
49. Key challenges for establishing the National Forest include land availability, incentivising planting, securing multiple benefits, understanding trade-offs and avoiding unintended consequences. Evidence generated by the ERAMMP can help overcome these.
50. With regards to the Rural Development Plan (RDP), I acknowledge the importance of the evaluation of the current Programme to provide an evidence base for any future arrangements. The evaluation plan for the current RDP was formally agreed with the European Commission as part of the Programme approval, the evaluation plan and delivery against this is a mandatory component of the Programme.
51. For example, as part of the RDP, a system of ongoing evaluation is in place to examine the progress of the measures and activities against the objectives and outcomes, and this has taken the form of Scheme level evaluations which includes independent review of the Sustainable Management Scheme, Farming Connect, Farm Business Grant and the Sustainable Production Grant. The Programme Monitoring Committee (PMC) receive regular reports providing updates on ongoing evaluation activities and progress against the Monitoring and Evaluation Strategy for ESI funds in Wales.
52. Another example is the National Strategy for Flood and Coastal Erosion Risk Management which sets out the objectives for the management of

flood and coastal erosion. There is a good level of evidence from existing flood risk maps (for river, coastal and surface water flood risk), Flood Risk Management Plans, local strategies, the National Flood Risk Assessment and the Communities at Risk Register.

53. In addition, stand-alone studies such as the Future Flooding in Wales report and the Wales Coastal Review help to clearly set out the need for sustained investment and the increasing risks associated with flooding and climate change.
54. We will also be working with the NRW, the UK and Scottish Governments and the Northern Ireland Executive to develop proposals for an integrated UK marine biodiversity monitoring programme, which includes monitoring within MPAs. This work is progressing in collaboration with science and policy experts through the UK's Marine Assessment and Reporting Group and the Healthy and Biologically Diverse Seas Evidence Group. This programme of monitoring would deliver the evidence required to confidently assess and report on the health and status of our marine biodiversity and our progress towards meeting good environmental status, in alignment with our commitments in the UK Marine Strategy.

Impacts on Equality, Welsh Language and Children's Rights

55. After reviewing the key changes above, a number of key programmes were subject to Integrated Impact Assessments covering equality, Welsh language and Children's Rights. Integrated impact assessments are mainstreamed into policy setting as well as budgetary decisions.
56. I am pleased to note my portfolio hasn't been allocated any budget reductions in this draft budget, and so any impact assessments were carried out on a number of new budget and policy initiatives.
57. The results from the impact assessments show that there are no disproportionate impacts on the identified groups due to these budgetary decisions.

Welsh Language

58. The Welsh Language (Wales) Measure 2011 and proposed Standards require us to do the following three things:
 1. Consider the effects or impacts of our policy decisions on the Welsh language (both positive and negative)
 2. Consider how to increase positive effects, mitigate or reduce adverse effects and take all opportunities to promote the use of Welsh

3. Seek views on the effects on the Welsh language when engaging or consulting and to seek the view of Welsh speakers and users of the language.

59. As part of the Integrated Impact Assessment process, we have considered the impact of our budget decisions on the Welsh Language, and have identified no significant impacts on the provision of Welsh language services.

Children’s Rights

60. Wales is the first country in the UK, and one of only a few countries in the world, to enshrine the United Nations Convention on the Rights of the Child (UNCRC) into domestic law with the Rights of Children and Young Persons (Wales) Measure 2011.

61. The duties within the Measure are implemented in two stages and place duties on Welsh Ministers to:

- give balanced consideration to the rights in the UNCRC and its optional protocols when formulating or reviewing policy and legislation;
- give balanced consideration to the rights in the UNCRC when they use all their legal powers or duties.

62. Across my portfolio, each member of staff is required to consider how their work affects children’s rights, and this process has informed the Integrated Impact Assessment. No significant impacts on children’s rights have been identified in the setting of this budget.

Natural Resources Wales

Table 6. NRW Budget Comparison

NRW Budget	2019-20 1st Supp £m		2020-21 Draft £m	Change in Budget £m
Revenue GIA*	59.263		59.033	(0.230)
Capital GIA	0.966**		1.216	0.250
Flood Capital***	12.700		12.700	0.000
Flood Revenue***	19.750		19.750	0.000
Total	92.679		92.699	0.020

* NRW Grant in Aid BEL 2451 (Does not include Non Cash Budgets)

** Capital GIA 2019/20 is using the 2020/21 opening Baseline as agreed at 2018/19.

***Flood funding to be agreed and is part of BEL 2230

63. The NRW budget for 2020/21 has minor changes when compared to the 2019-20 1st Supplementary Budget. The reduction of £0.230m revenue is due to changes in the Non recurrent EU Transition funding awarded during 2019-20, and a recurrent Intra MEG movement of £0.2m to Bel 2191 Local

Environment Quality, and as this is a budget alignment, it does not impact on the direct funding to NRW. The increase in Capital funding is due to an award of £0.250m towards EU transition costs for 2020-21 only. There has been no change in core Grant In Aid (GIA) for NRW in 2020-21.

64. In this budget we are maintaining the Welsh Government GIA funding available to Natural Resources Wales, at £60m (£93m including flood and water management funding). This will enable them to boost their efforts in tackling climate change and its impact in Wales. This is through more renewable energy generation on public sector land and more natural flood management. They are tasked to produce detailed Area Statements and the next State of our Natural Resources Report, which is due for publication during 2020. These are shared resources to enable us to identify the best opportunities we have for expanding woodlands, peatlands and other important habitats.
65. One of the biggest challenges for the Welsh Government is tackling the effects of climate change. It is imperative NRW continues to respond to our climate emergency and the increased ambition of at least a 95% emission reduction. The UK will be on the world stage in the United Nations Conference of the Parties (COP26) in Glasgow in 2020. With NRW at the forefront, delivering actions across multiple sectors aims to ensure Wales' environment will be more resilient to climate change impacts.
66. NRW has a pivotal role in supporting the transition to renewable energy, especially through the Area Statements. NRW has already made progress in developing proportionate consenting of energy applications. They will build on this work to develop a positive and enabling approach to renewable energy development, on and offshore.
67. The Welsh Government has made a commitment to reverse the decline of biodiversity, which is driven in a large part by NRW. NRW will be required to deliver a programme of work on the restoration of peatlands and some of our Natura 2000 sites. Alongside this, NRW will take the lead in ensuring action against plant health pests or disease and Invasive Non-Native Species (INNS) outbreaks.
68. NRW continues to play an invaluable role in managing and expanding the Welsh Government Woodland Estate. NRW has put forward plans to respond to the climate emergency, including the expansion of the woodland cover across Wales. This will result in the sequestration of carbon, as well as changing the types of trees we are planting in response to threats arising from climate change. NRW will work with my officials in the creation of the National Forest.
69. NRW will also be expected to work with my officials to develop an Environmental Growth Plan, by autumn 2020. This will include links to the Area Statements, community engagement and NRW's vision for 2050. NRW must utilise the considerable resources made available to it in 2020-

21 and work with other organisations, to deliver tangible outputs to grow nature. I am keen the people of Wales see environmental growth on their doorsteps. NRW has an important role in supporting communities across Wales in developing and delivering this.

Withdrawal from the European Union

70. Brexit has been at the top of my portfolio's priorities for over three years now. As I have said on a number of occasions, exiting the EU without a deal would have an immediate and long term catastrophic impact on rural communities. I am confident we have done and continue to do everything under our control to mitigate the impacts of any no deal.
71. However, at the time of submission of this evidence paper, there remains uncertainty over the result of election and future direction of Brexit. Over 7,000 functions will be returning to the Welsh Government from Brussels – the majority of those in relation to agriculture and the environment. It is therefore, vital I must have to plan for all contingencies and be prepared.
72. My portfolio currently has a suite of Brexit Preparedness projects in operation (74), a significant number of which are being carried out on a UK-wide basis. I have been tracking progress on these regularly and reporting, with my colleagues, to the First Minister's Cabinet Sub Committee on EU Exit.
73. The majority of no deal preparation projects were on track for a 31st October exit. Officials will continue to work closely with Defra and other UK administrations to finalise the remaining projects, should they be needed in January. We continue to apply pressure to the UK Government for clarity on the extent of additional budget that will be made available to help manage a 'No Deal' outcome
74. The projects cover a range of sectors and needs including establishing new regulatory and operational systems as well as contingency planning. The systems developed would provide a functional, baseline system, which could be operational on day 1.
75. There are also many projects underway which impact whether we leave with or without a deal including establishing positions on future UK-wide governance arrangement and future policy such as in the areas of trade, environment, land management and marine and fisheries.
76. We have also developed contingency plans for sectors across my portfolio and tested them to ensure appropriate mitigating measures are in place for day one, including sheep, fisheries, water and food, in collaboration with administrations across the UK. These will continue to be kept under review as the leaving date changes to take into account the seasonal implications.

Future Funding for Agriculture Support

77. The manner of the UK's withdrawal from the European Union (EU) and the future economic relationship are far from decided. This particularly applies to the terms of any Withdrawal Agreement. Resolution of these issues will determine how long the UK stays within different parts of the Common Agricultural Policy (CAP) and, therefore, when it is possible to start moving to different arrangements. Once funding is returned, we will ensure funds are directed at farming, forestry and other land management support, and not spent elsewhere.
78. We will continue to work jointly with our stakeholders, across and within sectors, to understand the implications of Brexit and how we might, collectively, address them. We are engaged in UK wide discussion on future frameworks to ensure a clear voice for Wales and to ensure Wales is a key part of UK positioning. Complexities include having to consider the 'no deal' and 'negotiated exit' scenarios; a HMT review of the definition of 'Farm Support' and recent HMT draft guidance proposing how the UK Government funding guarantee and Conservative manifesto commitments are expected to be implemented, through to 2022.
79. When more is known about the future budget, we will need to decide how to distribute funding between the different elements of support. In particular, we will need to decide:
- the appropriate balance between funding for farmers, foresters and other land managers in the Sustainable Farming Scheme and support for the wider industry and supply chain and;
 - which elements of the Rural Development Programme should be incorporated into new support arrangements.

New Land Management Programme

80. The consultation for "Sustainable Farming and our Land" (SFaOL) closed on 30 October. We received over 500 substantive responses and nearly 3,000 campaign responses. My officials are currently considering all consultation responses received and a full summary will be published in due course.
81. The potential disruption caused by a no deal Brexit could last a considerable time. We cannot afford to wait until an undefined date in the future before we start considering what support we need to devise for Welsh farmers.
82. We want to provide as much clarity on the future for the Welsh farming sector in these uncertain times. Whilst we cannot be certain of the Brexit outcome, it is right we consult and develop our long-term proposals for future support. Many of the proposals in the consultation are largely unaffected by the outcome of Brexit.

83. Once more is known about future trade deals and budget allocation from UK Government, along with the results of the SFaOL consultation and co-design, we will be able to progress the modelling required before this consultation process can be concluded and new support arrangements put in place. It remains our intention to bring forward a White Paper for an Agriculture (Wales) Bill before the end of this Assembly Term.

Rural Development Programme

84. The RDP provides much needed investment in our environment, farming and rural communities. This includes investment in managing our ecosystems, efficient energy use and greenhouse gas reduction. It provides Wales-wide coverage that aligns the EU priorities for rural development with the seven 'Well-being of Future Generations' goals. The RDP has agriculture at its heart.

85. The RDP continues to make good progress since its approval on 26th May 2015. At a project level a total of £666.9m funds have been committed, representing 81% of Programme funds. Plans are in place to achieve full commitment of the programme by the end of 2020. It's important to remember whilst the RDP is a seven year programme, spend takes place over a ten year period under the "N+3" rules. The EU's second spend target in December 2019 is €247m and the Welsh Government achieved this well ahead of schedule in early 2019.

Post Brexit Food and Drink Strategy

86. In the short term we have already taken action to secure our position, including negotiating and consulting on a new UK Geographical Indication (GI) Scheme to commence as soon as the UK leaves the EU. The new UK GI schemes proposed in this consultation would bring automatic protection for UK products registered under the existing EU GI schemes. In addition, we are seeking to ensure that UK GIs registered under the EU schemes will continue to enjoy protections in the EU, however this is subject to ongoing negotiations.

87. The Food and Drink Wales Industry Board and WG have consulted on proposals for a strategic plan for the sector to follow on from the current action plan, and that we are considering responses to that. A crucial factor for success is to strengthen networks and clusters throughout the agri-food supply chain, branching into the service, retail, and tourism sectors, and through this adding value and making our system more resilient.

88. In direct response to the significant challenge the Welsh red meat industry faces with the uncertainty of future trading arrangements post Brexit, we are investing £1.5m over three years for Hybu Cig Cymru (HCC) to deliver an Enhanced Export Programme to support the industry to maintain key markets in Europe, as well as developing market access further afield. Since the start of the programme, restrictions have been lifted on importing British beef and lamb to Japan and British beef to China, paving the way

for increasing exports of our quality products from Wales to these key markets.

89. On 4 November, I announced our next 'premier' food and drink industry event (Blas Cymru/Taste Wales) will take place on 10 and 11 March 2021 at the International Convention Centre (ICC) Wales. The event will build on the successes of the previous events in 2017 and 2019, bringing national and international buyers and Welsh food and drink producers together to showcase our world class produce and help open new markets and international trade deals. The event will further establish the Welsh food and drink industry on the global stage and promote Wales as a key location for quality food and drink production. The event demonstrates our clear determination to continue to promote the very best that the Welsh food and drink industry has to offer internationally and further develop the global reputation of Wales as a Food Nation, despite Brexit.

Future Fisheries Policy

90. We are committed to developing a Future Fisheries Policy in collaboration with stakeholders, as we exit the European Union in line with our Prosperity for All commitment. I consulted over the summer through the Brexit and Our Seas consultation, the first stage in a longer conversation about the future of the fishing industry in Wales. Currently there is no specific budget for the development of the Future Fisheries Policy, any costs will be met from within the Marine and Fisheries budget.
91. The UK Fisheries Bill fell following prorogation. As a result of its inclusion in the Queens Speech we await the introduction of a UK Bill, however, following the announcement of a UK General Election timelines for this remain unclear. We will consider the budgetary implication of the UK Fisheries Bill once a draft has been shared.

New Environmental Governance Body

92. Our consultation paper on Environmental Principles and Governance Post European Union Exit ran from 18 March to 9 June 2019 and we published the summary of responses report on 13 September. In my written statement of 17 July I stated my intention to establish an Environmental Governance Stakeholder Task Group to assist in the design of post-Brexit environmental governance arrangements as covered in the consultation document.
93. This group is currently considering the different types of models, including the form and functions, which would provide an effective, proportionate and appropriate governance system for Wales. As this Task Group will be submitting a report on its recommendations in early 2020, at present no definite type of environmental governance model has yet been recommended.

94. This is a complex area of work which requires detailed analysis to ensure any proposals which are submitted are an appropriate fit for Wales. As such, when a preferred model has been identified, a thorough options appraisal, including financial implications will be undertaken, which will include an assessment of the associated costs of the recommendations and the different types of options presented by the Task Group.
95. If a withdrawal agreement is reached between the UK and the EU, the existing EU governance structures will remain in place during any transition period and we will not need to put in place any interim governance measures. However, due to the continuing uncertainties, it is still pragmatic for us to prepare for a no deal scenario.
96. If the interim measures have to be activated, guidance will be provided to citizens to assist them with who and on what a complaint can be issued, this will be to help address any potential duplication of complaints and therefore potential costs on other public bodies. Further work is on-going on the additional interim measures required, which may be required including the costing and timescales and further information can be provided in due course, should a no deal scenario be likely.
97. Brexit continues to present significant challenges to us, particularly on the need for resources to deliver the plethora of policy and operational impacts of Brexit. There are a range of possible future Brexit scenarios, each with different implications for Welsh Government staffing. We have developed, and continue to modify, approaches to managing these different challenges. To date, my department has taken on over 80 staff on fix term appointments to help us manage the increased work and are considering how we continue to benefit from their input. The Permanent Secretary and Executive Board continues to assess staffing levels across the Welsh Government.

Legislation

UK Environment Bill

98. In light of the UK General Election and the suspension of Parliament, the UK Environment Bill has now fallen. As it stood prior to it falling, the Bill's environmental governance provisions related to England and to reserved areas, as the approach had been designed to address the specific gaps as they applied in England. As such this aspect of the Bill bore no financial implementation costs on Wales.
99. We await the outcome of the General Election and will need to reassess the UK Bill once it has been reintroduced to determine whether the Bill remains in effect the same. We were however working with the UK Government and the other devolved administrations on how we could cooperate in a number of areas to address any gaps, which may arise at a UK-wide level. As this was a work in progress, there were no financial

implementation costs to consider at this point in time. In any introduced Bill we will need to ensure the progress made to ensure the UK Bill respects the devolution settlement is not lost.

100. Powers for Welsh Ministers were taken in the Bill in relation to policy areas such as waste, water, flood, litter, chemicals, single use items, air quality, and extended producer responsibility. In the event of the Bill being reintroduced we will need to consider the implications on these powers. Any financial implications for these powers will be detailed in impact assessments, which accompany any subsequent secondary legislation.
101. There are areas requiring action whilst we remain part of the EU such as ensuring we comply with the recently adopted EU Single-Use Plastics Directive. Without taking such powers in UK legislation, we would run the risk of non-compliance with EU legislation whilst we remain a Member State. There are areas of the UK Bill where the National Assembly for Wales does not have the sole ability to legislate and so the UK Bill offers a viable legislative vehicle.

Specific Areas of Interest for Committee

Air quality, including the take up of the Air Quality fund, the implementation of the Clean Air plan and the establishment of the Air Quality Monitoring and Assessment Centre for Wales

102. The Clean Air Plan (CAP) will include measures to tackle the contribution to poor air quality made by industry in key sectors across Wales and will have a focus on those areas facing particular challenges. The Air Quality Fund (AQF) is being used to support the implementation of local authority measures to deliver compliance with Nitrogen Oxide (NO₂) limit values. In this draft budget, and as a consequence of the funding from the UK, I have allocated an additional £14.3m capital fund which will primarily be used to provide on-going support, guidance and finance to enable Cardiff Council (and Caerphilly County Borough Council) to take action to achieve compliance in the shortest possible time.
103. Costs associated with the implementation of any new actions arising from the Clean Air Plan are not known at this stage. The CAP is due to be consulted on shortly and is expected to close early 2020. Budgetary decisions will be made following consultation. Proposals for an Air Quality Monitoring and Assessment Centre for Wales refer to work underway to develop an enhanced evidence capability for Wales. The aim of this work stream is to provide a resource to inform and drive co-ordinated action to reduce airborne pollution and to maximise opportunities for health and environmental improvement. Options for an organisational structure are being considered and preparatory work to inform this project is underway. Spend on the centre in the coming funding period is unclear at this stage but it is not likely that much spend will be incurred until after 2020-21.

104. A recent review undertaken by the Welsh Government Energy Service (particularly the work of Energy Savings Trust ultra-low emission vehicle experts) has highlighted the considerable impact of Refuse Collection Vehicles (RCV's) in the Public Sector
105. The aim of the review was to establish the carbon and energy use associated with the operation of public sector transport in Gwent and identify the opportunities to use Ultra Low Emission Vehicles. Their ambitious proposal if practicable is to increase the proportion of Ultra Low Emission Vehicles to 100% by 2030.

Implementation of the Welsh Government's new fuel poverty strategy

106. To facilitate consideration of recommendations made by the Wales Audit Office in its landscape review of Fuel Poverty published in October and to avoid consultation during the UK General Election, I expect the consultation on the new plan to tackle Fuel Poverty to begin in January.
107. The primary purpose of the plan to tackle Fuel Poverty is to set the strategic direction up to 2035. It will be underpinned by delivery or activity plans which will be costed and scalable in line with budgets and opportunities available at that time. The draft plan to tackle Fuel Poverty consultation document proposes new actions, which contribute to the Welsh Government's wider objectives to tackle poverty, prevent avoidable ill health and premature death from living in a cold home and decarbonisation.
108. The Warm Homes Programme Nest and Arbed Schemes will continue to deliver advice and home energy efficiency improvements in 2020/21.

Implementation of the recommendations of the "Better Homes, Better Wales, Better World" report

109. Better Homes, Better Wales, Better World. An independent report published in July, called on the Welsh Government to commit to a 30-year programme to reduce carbon emissions in Welsh homes.
110. Accepting the recommendation in principle, the Minister for Housing and Local Government is working on a plan for the decarbonisation of housing based on these recommendations.

Bovine TB Eradication Programme (including Delivery Plan, testing and compensation)

111. I previously stated that the current system of TB compensation would be kept under review. This review will consider the fairest way to pay compensation in light of ongoing budget pressures and loss of EU funding

post- EU Exit is in progress. We are currently in discussions with UK Government to ensure that this funding will continue post EU Exit. In view of this I have allocated £1.5m to mitigate the reduction in anticipated EU income (irrespective of Brexit) and £0.75m towards increased pressure on my Slaughter compensation budget.

112. Any change to the TB compensation arrangements will be designed to encourage best practice, disincentives noncompliance and provide a fair and proportionate compensation system. Before any change to the TB compensation system is implemented, a public consultation will be carried out and all suggestions and comments considered.
113. The Delivery Plan, launched in 2017, sits beneath the TB Eradication Programme and sets out the detailed enhancements to be rolled out in the short to medium term. The Delivery Plan is a living document that will be updated as and when necessary. A Delivery Plan allows for greater flexibility and enables the Programme to adapt to the changing situation on the ground. This agile way of working allows us to be reactive to new and emerging information about the disease picture and enables the swift inclusion of enhancements to reflect the latest science and learning.

Implementation of the Woodlands for Wales Strategy

114. Our Woodland for Wales Strategy sets out the diverse range of benefits offered by conifer and broadleaf woodlands towards multiple environmental, social and economic outcomes. In order to respond to our declaration of a climate change state of emergency, we need to rapidly increase the forest cover in Wales. It is the key way we will be able to mitigate climate change through carbon sequestration. This needs to be done in balance with other important natural resources such as habitat, landscape and water quality in order to maximise the economic and environmental benefits of expanding our woodland cover in Wales. Healthy and diverse woodlands also require good woodland management, which remains an integral core component of our Woodlands for Wales Strategy.
115. The First Minister's manifesto commitment for a National Forest Programme will help support the aims of our Woodlands for Wales Strategy. This includes delivering key priorities relating to biodiversity, commercial forestry, and timber in construction, community cohesion and regeneration, underpinning our commitments for our future generations. Trees and woodlands are part of our living natural heritage and recognition towards their importance is steadily growing. Within the changing political landscape of Brexit, we need to continue to support the delivery of multiple and collaborative benefits for dynamic and resilient forests and woodlands in Wales.

Nitrate Vulnerable Zone management (NVZ)

116. A contract for the provision of agricultural and environmental advice, with an annual budget of £0.25m, was awarded for 3 years from 1 October 2018. This contract includes the provision of a helpline for farmers within designated Nitrate Vulnerable Zones (NVZs) for advice and guidance on the regulatory requirements. The contract is also used to review and assess the effectiveness of the NVZ Action Programme and provide advice on measures to address agricultural pollution.
117. The NVZ helpline assists farmers in NVZs to comply with the regulations and, therefore, achieve the objectives of the approach to reduce nitrate pollution of watercourses. It is a statutory duty for the Welsh Government to review its implementation of the Nitrates Directive every 4 years and this budget is used to undertake such reviews. This budget is also used to inform policy on agricultural pollution issues across Wales, in related areas, such as the implementation of the Water Framework Directive and National Emission Ceilings Directive. The budgets of Bel 2865 and 2864 have been merged to better align the budgets and costs of the above services.

Flood and Coastal Erosion Risk Management, including the take up of the Coastal Risk Management Programme.

118. Flood and coastal risk management is focused on reducing risk to life. It does so by preventing incidents of flooding and erosion which would otherwise cause damage to homes and businesses. We have improved the way we prioritise alleviation schemes to help target funding towards projects in the highest risk areas which demonstrate the most effective preventative spend.
119. Our draft National Strategy sets out how we intend to manage the risks from flooding and coastal erosion across Wales, it also highlights the need for closer collaborative working and wider catchment approaches to reduce risk.
120. Consultation on the National Strategy for Flood and Coastal Erosion Risk Management closed on 16th September. We will issue a summary of responses later this year, with a view to publishing our new Strategy later in 2020. The document has already benefitted from over a year of consultation, feedback and workshops.
121. In Wales we continue to spend more per capita than England on flood and coastal risk management. Over the last 5 years, in Wales we spent an average of £17.19 per capita compared with £14.05 per capita in England over the same period. We continue to prioritise our flood and coastal risk management work with a healthy programme of activity across Wales through Local Authorities and NRW. Over £350m (total capital and

revenue) will be spent on flood and coastal erosion risk management during this Assembly term.

122. The Flood and Coastal Erosion Committee is now fully established. It is an advisory body, providing advice on all aspects of flood and coastal risk management in Wales, and supports Welsh Ministers and all Welsh Risk Management Authorities. It's inaugural Committee meeting was held on 4 June in Cardiff with a second meeting in Llandudno on 10 September
123. The first **Coastal Risk Management Programme** schemes are entering construction this year. The first corresponding revenue payments to support Local Authorities innovative borrowing repayments was made during 2019-20. We will see significantly more schemes starting construction during 2020-21, and revenue funding of £2.6m is included to support payments to these schemes. We have 24 schemes currently in the Coastal Risk Management Programme, taking up the full £150 million allocation. Subject to all completing, they will reduce risk to over 18,000 properties.

The licensing regime for Animal Exhibits

124. The Animal Welfare (Licensing of Animal Exhibits) (Wales) Regulations 2020 will provide a licensing scheme for certain animal exhibits. There will be limited financial obligation for Welsh Government to implement this licensing scheme – we anticipate we will be able to manage this within our current resource establishment.
125. The local authorities will be responsible for enforcement of the Regulations - Under section 30 of the 2006 Act, local authorities may prosecute for any offence under the Act. Welsh Government will not make any funds available to implement or run the licensing scheme. Animal exhibits in Wales are currently unlicensed and only some will be registered under the Performing Animals (Regulation) Act 1925, so there will be an increased need for enforcement action (as a minimum, routine inspections as required in the legislation).
126. There will be a requirement to appoint one or more suitably qualified inspectors to inspect any premises and travel equipment linked to the licensable activity to determine whether or not to grant, suspend, revoke or renew a licence. This could lead to an increased financial and staff resource. However, local authorities will have the opportunity to allow for anticipated costs of registration, inspection and enforcement by charging a fee for the issue of a licence (regulation 14

Banning third party sales of puppies and kittens.

127. A twelve week public consultation on the Banning of Third Party Sales of Puppies and Kittens launched on 19 February 2019 and closed on 17 May 2019. The consultation was published on the Welsh Government website and publicised in newsletters and via various social media platforms. The consultation looked at evidence on what stage the government should intervene in large scale dog breeding premises and address concerns about animal welfare at point of sale. The consultation has shown widespread support for banning third party sales of puppies and kittens. However, this is seen as only one of the steps necessary to improve the welfare of dogs and cats at breeding premises.

128. In relation to development of the Welsh Ministers' policy approach to third party sales of puppies and kittens, after evaluating the evidence in support of and against the proposition that third party sales of puppies and kittens gives rise to poor welfare, consideration will be given by officials to a range of options should the evidence support action being taken to ban or regulate the sale by third parties of puppies and kittens. Each option will be evaluated against the 'do nothing' option as well as the option of voluntary action being taken by breeders and third party sellers.

Initiatives to reduce plastic pollution, including a deposit return scheme, and the development of an extended producer responsibility (EPR) scheme.

129. Although this is not within the remit of my portfolio, (resides within the portfolio of the Minister of Housing and Local Government) the Welsh Government welcomes the ambitious approach taken in the European Union's Single Use Plastic Directive and is committed to implementing the wide range of measures aimed at reducing the environmental impacts of littered plastic. Work is currently underway to enable the introduction of regulations that will ban or restrict a number of commonly littered single use plastics in Wales.

130. The use of Extended Producer Responsibility (EPR) for packaging is an important tool in delivering the "polluter pays" principle, meeting recovery and recycling targets and in providing income to help with the management of wastes. The European Commission's Circular Economy Package includes revised proposals for the introduction of minimum operating conditions for Extended Producer Responsibility. It proposes that financial contributions paid by producers to comply with its extended producer responsibility obligations should cover the entire cost of waste management for the products it puts on the market, including all the costs of separate collection, sorting and treatment operations.

Lesley Griffiths
Cabinet Secretary for Energy, Planning and Rural Affairs

Annex

Draft budget 2020-2021

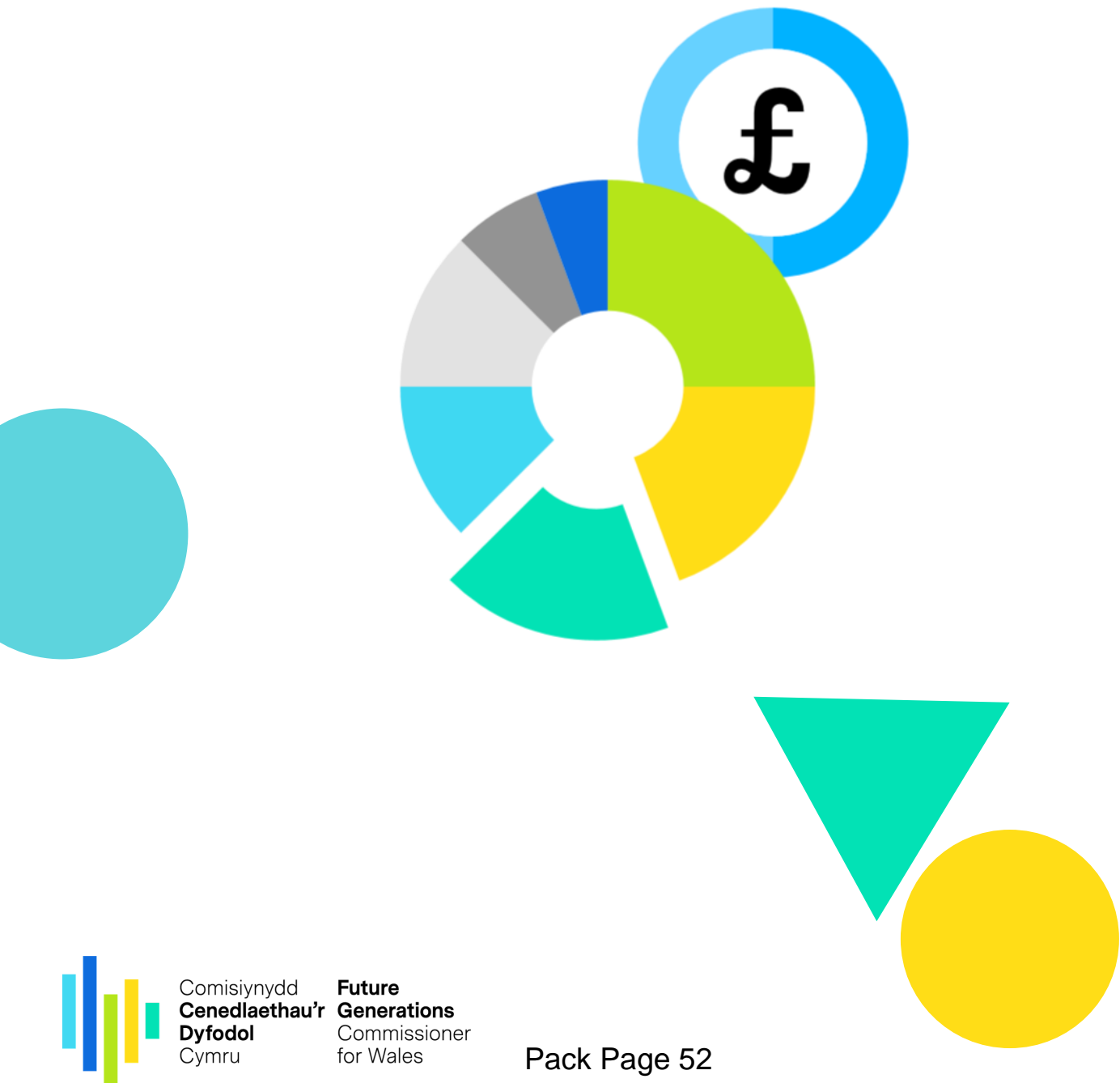
Draft Budget BEL tables are in the link below.

To view the draft budget, click on [Restated budget expenditure lines](#) which opens in Excel, and then click on the BEL Table tab.

A Briefing for Assembly Members

How the Welsh Government draft budget 2020-21 is taking account of the Well-being of Future Generations Act

December 2019



Summary

The Welsh Government budget is the single biggest decision (or set of decisions) that is taken by a public body in Wales each year. As well as determining how public services are funded, the budget process and specific decisions send important signals about priorities across our public services and whether those priorities are shifting in line with the aspirations set out in the Well-being of Future Generations Act (WFG Act).

As the budget is such an important set of decisions for the future of Wales, I monitor and assess the draft budget each year and provide evidence to the National Assembly for Wales Finance Committee.

This year my focus is on:

DECARBONISATION - How is the Welsh Government meeting the declaration of a Climate Emergency through budget decisions and allocations?

PREVENTION - How is the Welsh Government using the definition of prevention to embed preventative approaches through budget decisions and allocations?

Through engagement with National Assembly for Wales Committee staff, it is clear that these topics are of interest to Members across different Committees. This briefing therefore provides an overview of:

- My expectations of how the budget should be changing in relation to decarbonisation and prevention;
- My views on the progress from Welsh Government, including a high level assessment of commitments in the draft budget narrative published on 16 December;
- Questions that Members could consider exploring further in relation to decarbonisation and prevention, as part of budget scrutiny.



 SOPHIE HOWE
**Future Generations
Commissioner for Wales**

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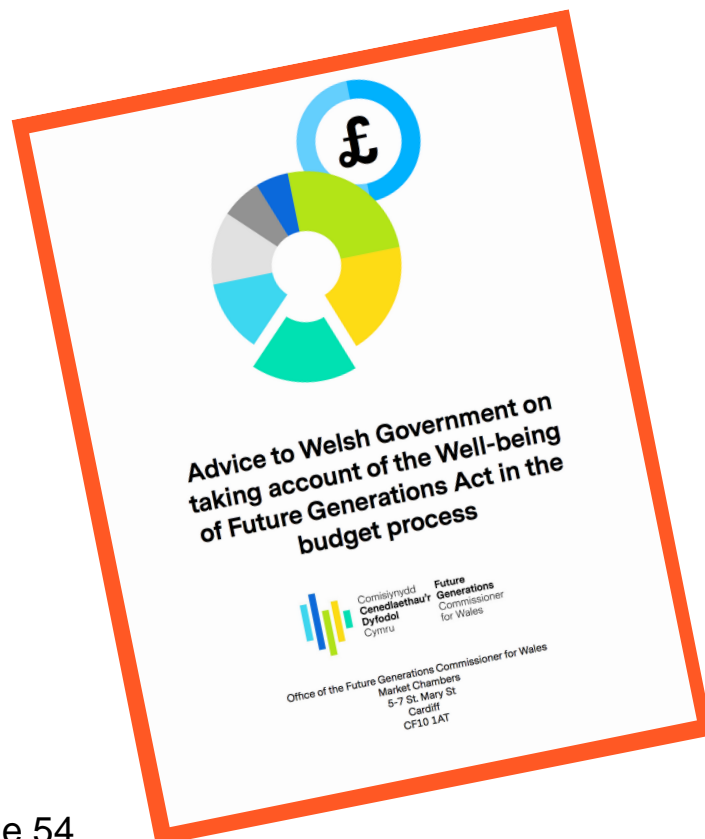
01	1) Investing in the Climate Emergency
06	2) Investing in preventative approaches
11	3) Assessing year-on-year progress in the budget
14	4) Taking further steps to a longer term approach

These sections are based upon the recommendations included in the advice *Advice to Welsh Government on taking account of the Well-being of Future Generations Act in the budget process*, which I published in December 2018.

▶ This can be accessed at <https://futuregenerations.wales/wp-content/uploads/2018/12/2018-11-29-FGC-Budget-Recommendations-ENG.pdf>

Within this briefing you will find references to recommendations:

- Recommendations issued by the Future Generations Commissioner for Wales are highlighted in **orange**.
- Recommendations issued by Assembly Committees, which support our recommendations can be found in **blue**.



Section 1

Investing in the Climate Emergency

Based on my scrutiny of the budget last year, my advice included two recommendations for Welsh Government to ensure that investment in decarbonisation reflects ambition:

Recommendation: Welsh Government clearly articulate how the actions set out in the Low Carbon Delivery Plan will be funded in order for us to meet our statutory emission reduction targets.

Recommendation: Welsh Government considers and sets out the level of cross Government investment needed to meet our targets, particularly in relation to: i. Transport; ii. Housing / buildings; iii. The transition to a low carbon Wales.

On the 21 March 2019 Welsh Government published its first Low Carbon Plan - “Prosperity for All: A Low Carbon Wales”.

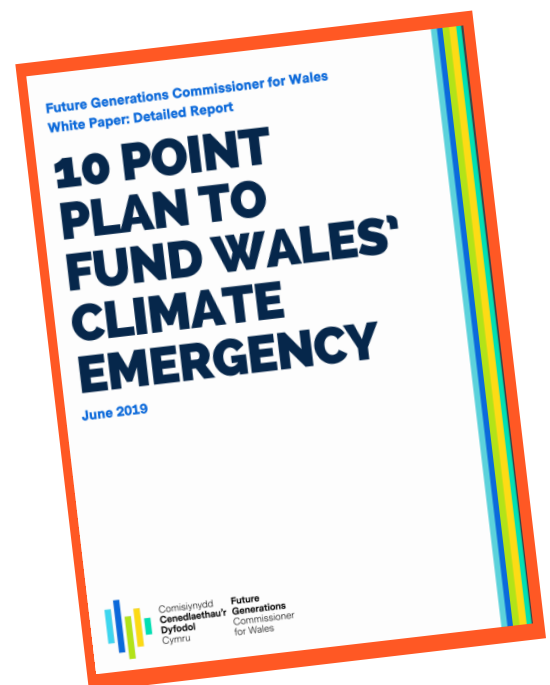
On the 29 April Welsh Government and the National Assembly for Wales declared a Climate Emergency, and in May the UK Committee on Climate Change published its advice to UK Governments on achieving Net Zero by 2050.

▶ This can be accessed at:
<https://futuregenerations.wales/wp-content/uploads/2019/06/10-Point-Plan-to-Fund-Wales-Climate-Emergency-Detailed-Report.pdf>

In June I published a Ten Point Plan to fund Wales’ Climate Emergency which includes proposals for increasing investment in key areas including sustainable transport, low/zero carbon buildings and homes, renewable energy, land and nature-based solutions.

Although it’s difficult to calculate the exact amount of funding needed, we know that responding to the climate emergency will require a much greater level of investment across the board.

My Plan recommends a total allocation of £991 million to support decarbonisation in the Welsh Government budget for 2020-21 which is in line with the UK Committee on Climate Change (UKCCC) estimates of around £30 billion over the period to 2050 (or 1-2% of GDP).



My view on progress from Welsh Government

“For a more structural and longer-term approach, the Ten Point Plan issued by the [...] Future Generations Commissioner sets out an approach to be considered and used as guidance...”

► Extinction Rebellion Cymru
- Response to Finance Committee
consultation, September 2019

Over the last 3 months I have requested information from Ministers, and detailed responses to the following questions:

1. Building on the actions set out in the Low Carbon Delivery Plan, what are the key opportunities for decarbonising investment in relation to your portfolio and how do these relate to revenue and capital spend?
2. What is your assessment of the allocations identified in my 10 Point Plan, and if you disagree with the suggestions what are your proposals?
3. How are you assessing how much you are spending overall on decarbonisation actions, and do you have a method for classifying decarbonisation spend?
4. On the basis of the points above, what specific changes will there be in the 2020-21 draft budget?

I have had several conversations with Government Ministers and officials: whilst engagement has been positive, and they have been broadly supportive, discussions and responses to date have lacked detail referring to pockets of funding for activities but no evidence of systemic or transformational change.

Other findings include:

- There appears to be a disconnect between policy commitments that have been made (for example in Low Carbon Wales) and budget allocations.
- The declaration of a climate emergency doesn't appear to be reflected in discussions about budget process and allocations, often referring to challenges and constraints.
- There appears to be no evidence that Welsh Government has a clear process to classify or assess how much they are currently spending (or need to spend) on decarbonisation actions to deliver the statutory carbon budgets or targets.
- There is no consistent approach to undertaking Carbon impact assessments (CIAs) for major infrastructure projects, it is not clear how the carbon impact is informing decisions (on projects or funding) and there is no central collation of the CIAs across Government.
- For example although the recent Wales Infrastructure Investment Plan (WIIP) pipeline update 2019 mentions additional investment of £14.5 million for active travel, it isn't clear how overall the WIIP update is prioritising measures to address the climate emergency with 64% of Welsh Government's transport budget currently allocated to building roads.

My view on progress from Welsh Government

I have challenged Government about how they understand the extent to which decisions are 'decarbonising' – i.e. understanding the current carbon impact of investment decisions and the decarbonisation impact and potential of future decisions. It is clear that Government have no consistent approach to do this at the moment, and they have asked me to resource this work.

I have focused on transport as a key area that Welsh Government can make progress, particularly as progress in reducing transport sector emissions are behind our target. During discussions with Government we identified several challenges and constraints in this area, mainly due to the majority of capital funding already being committed for 2020/21, responsibility for rail infrastructure not devolved to Wales, and there being limited scope for current funding allocations to change significantly. It seems clear that the Government's current focus is on decarbonising road transport and not on the potential for public transport and active travel to achieve significant modal shift.

Our findings are supported by the Climate Change, Environment and Rural Affairs Committee ['Annual Report on the Welsh Government's progress on climate change, 2019-20'](#) recommendations (published 18 December 2019) which include:

Recommendation 6. The Welsh Government's draft Budget should explain and demonstrate clearly how funding allocations will support the decarbonisation priority.

Recommendation 10. The Welsh Government should include an assessment of the costs, benefits and impact on decarbonisation of each policy and proposal included in the next iteration of its decarbonisation plan.

Recommendation 11. The Welsh Government should introduce a mechanism, such as a carbon impact assessment, to report to the Assembly any policy decisions that will result in a significant increase in carbon output.

▶ The full report can be seen at <https://www.assembly.wales/laid%20documents/cr-ld12934/cr-ld12934%20-e.pdf>

My view on progress from Welsh Government

Feedback on Draft Budget

Within the Draft Budget, [I welcome the £59 million \(37%\) increase in total spending on sustainable travel](#) with an allocation of £219 million in 2020/21 for concessionary fares, bus support, smart cards, youth discounted travel schemes, local transport priorities and sustainable and active travel. This will encourage decarbonisation of transport and greater levels of physical activity.

I also welcome the announcement of £140 million in new capital funding for climate and environment – this takes the [total capital spending specifically on climate and environment over the 5% threshold](#). Alongside investments of £30 million in electric vehicle infrastructure, low emission vehicles and in new metro systems (for North Wales), and continued funding in the new rail franchise this demonstrates the Government’s dedication to investing in proactive solutions to the climate crisis.

Whilst I welcome the [rise in capital investment in active travel, public transport, and electric vehicle infrastructure by £80 million](#), this appears to have been met by a similarly significant rise in capital investment in new roads. As such the proportion of capital spent on active and public transport is still slightly below the 60% level recommended in my 10 Point Plan. The £140 million package also includes £25 million capital funding to extend the Innovative Housing Programme, £8.2 million for a carbon neutral house project within Coleg Y Cymoedd and funding to address our nature crisis, although these allocations fall short of what I recommended in my Plan.

However whilst the budget has targeted investment at measures “which current evidence supports as being the areas where Welsh Government can have the greatest impact to deliver our first carbon budget” [it remains the case that there is no holistic impact assessment of the net carbon impact of the budget and there is no detailed evidence to show how they have prioritised spending decisions accordingly](#). This means the Government cannot tell us whether the way in which they are spending their money is leading to an increase or decrease in carbon emissions. As a result, despite efforts to invest in sustainable travel, we are concerned that the Government’s other capital investments, such as in roads, may be undermining its carbon reduction progress.

I call on the Government, from now on, to forensically analyse every aspect of its expenditure, especially capital spend, in terms of carbon impact and publish details on the overall carbon impact of their budget.

Questions that Members could consider asking as part of scrutiny of the draft budget for 2020/21

1) Overall approach to investing in the Climate Emergency

- What key changes will there be in the 2020-21 draft budget to reflect the declaration of a climate emergency?
- What are the key budget allocations that demonstrate Welsh Government is serious about taking action on the climate emergency?

2) Understanding the carbon impact of budget allocations

- How are you assessing current spend on decarbonisation and what allocations are required over the next 5, 10, 20 years to achieve our statutory targets?
- How are you assessing the carbon impact of major investment decisions to ensure capital spend is line with emission reduction targets?

3) Decarbonising transport

- Will current budget allocations ensure we reach the target* for transport sector emissions when we're currently not on target?
- How are you assessing the carbon impact of major investment decisions to ensure capital spend is line with emission reduction targets?
- Is spending 63% of the transport capital budget on roads compatible with the climate emergency declaration?

4) Decarbonising housing

- Since the publication of the “Decarbonising Homes” report in July what progress has been made to secure funding for retrofitting Wales’ homes and what commitments are there in the 2020-21 budget?

* Transport sector emissions have reduced by 3% since 1990; the targets are a 14% reduction by 2020 and a 43% reduction by 2030 compared to the 1990 baseline.

Section 2

Investing in preventative approaches

Prevention is one of the five ways of working set out in the Well-being of Future Generations Act, and it is important that there is a shift in investment from reactive to preventative approaches, to stop problems from occurring as well as stopping them from getting worse.

Last year I welcomed the definition of prevention included in the budget narrative.

Prevention is working in partnership to co-produce the best outcomes possible, utilising the strengths and assets people and places have to contribute. Breaking down into four levels, each level can reduce demand for the next:

- Primary prevention (PP) – Building resilience – creating the conditions in which problems do not arise in the future. A universal approach.
- Secondary prevention (SP) – Targeting action towards areas where there is a high risk of a problem occurring. A targeted approach, which cements the principles of progressive universalism*.
- Tertiary prevention (TP) – Intervening once there is a problem, to stop it getting worse and prevent it reoccurring in the future. An intervention approach.
- Acute spending (AS) – Spending, which acts to manage the impact of a strongly negative situation but does little or nothing to prevent problems occurring in the future. A remedial approach.

*progressive universalism is a determination to provide support for all, giving everyone and everything a voice and vested interest, but recognises more support will be required by those people or areas with greater needs.

Source: Welsh Government Draft Budget 2019-20 Detailed proposals

Section 2

Investing in preventative approaches

However, I felt that the application of the definition last year was very limited, so I included four recommendations about prevention in the advice I published for Government in December 2018.

Recommendation: Welsh Government should apply the prevention definition across all spend in a systematic and robust manner, clearly defining what they are trying to prevent and showing a clear line of sight through spending on evidence-based actions across Government. They should consider working with organisations with expertise in this field to ensure their approach is effective.

Recommendation: Welsh Government should consider what a better balance of spend is in relation to primary, secondary and tertiary prevention.

Recommendation: Welsh Government should ask other public services (particularly local government and health boards) to apply the definition of prevention to their spend, to identify the key opportunities for investment in primary and secondary prevention.

Recommendation: Taking on board the recommendations of the Children, Young People and Education Committee, the Welsh Government should consider applying the actions set out in the Mental Health Policy Commission report 'Investing in a Resilient Generation: Keys to a Mentally Prosperous Nation' internally, particularly in relation to which part of Government takes a strategic lead in ensuring there is a whole system approach to prevention.

Finance Committee also made relevant recommendations in their report on last year's budget:

Recommendation 6: The Committee recommends that the Welsh Government considers how any future additional funding for health services can be targeted toward prevention and should also consider establishing partnership arrangements around any such funding.

Recommendation 14: The Committee recommends that the Welsh Government keeps the definition of preventative spend under close and constant review, including active engagement with both stakeholders and this Committee.

Recommendation 15: The Committee recommends that the Welsh Government prioritises an integrated approach across Government with respect to preventative spending, both cross-department, and multi-year

My view on progress from Welsh Government

I have seen limited evidence that Government have tried to apply the prevention definition across spend in systematic and robust manner.

The draft budget narrative includes more references to prevention than previous budgets, particularly in relation to investing in programmes that increase opportunities and tackle poverty.

However the narrative includes very few references to the types of prevention that are being funded – I think this is a missed opportunity for Government departments to collectively understand what they are trying to prevent and the best balance of spend to achieve this.

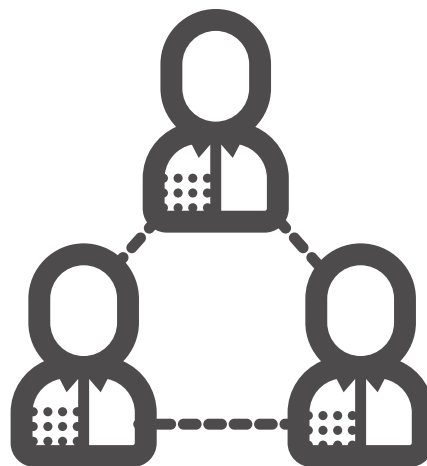
In recognition of the scale of the challenge of embedding preventative approaches, I advised Government to work with organisations with expertise in this field – they have not done so. I have resourced Social Finance to work with Government, particularly in relation to exploring a pilot Social Impact Bond to reduce entry into care for Looked After Children (as set out on p.26 of the budget).

“NHS Wales organisations support an approach to further protect funding for preventative measures that recognise the importance of improving population health outcomes and sustainability of services in the longer term.”

▶ NHS Confederation
- Response to Finance Committee consultation, September 2019

There is little evidence that Government is considering what a better balance of spend is in relation to primary, secondary and tertiary prevention, clearly defining what they are trying to prevent and showing a clear line of sight through spending on evidence-based actions.

I have written twice to Ministers, and met with several Ministers, asking a number of specific questions about how they have applied the prevention definition to their portfolios and the answers I have received have been general examples of how policy areas reflect the WFG Act.



My view on progress from Welsh Government

“...it is difficult to disaggregate preventative expenditure (because there is not yet a common service level definition and early intervention can be exercised across a spectrum of need); but we agree that additional costs/austerity has very probably led to a real terms cut in preventative spending including those areas listed in the Committee’s document.”

▶ Neath Port Talbot Council
Response to Finance Committee consultation, September 2019

There is some evidence that WG is asking other public services to apply definition to their spend – I have seen examples in relation to the NHS and Housing.

However, there is far greater scope for the definition to be meaningfully considered across services, with Local Government being a particular gap.

There is no evidence that WG are considering a ‘whole government’ approach to prevention, which is what I recommended. The section of their ‘budget improvement plan’ on prevention is positive but relies on the Treasury to drive progress – this is not a whole Government approach to embedding preventative approaches.

Prevention of Homelessness

In order to better understand the extent to which conversations are happening across Government in relation to prevention I have focused on the prevention of homelessness.

Whilst I have found that conversations are happening across Government this is not clear in the budget narrative, and these conversations are largely focused in the space of tertiary prevention with little consideration given to collaborative opportunities for primary and secondary prevention. I believe there are further opportunities to align funding and consider whether it is achieving the best outcomes in terms of preventing homelessness. I am working closely with the Homelessness Action Group, chaired by Jon Sparkes from Crisis, on this.

▶ Information about the work of the Homelessness Action Group can be seen at <https://gov.wales/homelessness-action-group>

Questions that Members could consider asking as part of scrutiny of the draft budget for 2020/21

“It was disappointing that when we asked the Cabinet Secretary for specific examples of primary, secondary or tertiary prevention within his budget, he was unable to provide a single example.”

▶ Equality, Communities and Local Government Committee, draft budget scrutiny 2019-20

1) Overall commitment to embedding prevention (focus on outcomes)

- What role does your department play in delivering the overall vision of shifting to preventative approaches, and what contribution are you currently making?
- How do you know you are investing in the programmes that will make the most difference?

2) Understanding the balance of spend in relation to prevention

- How have you used the prevention definition: what assessment have you made of the proportion of your investment that is in primary/secondary/tertiary prevention, or in the acute space?
- Have you made changes to how you invest in prevention for the 2020-21 budget?

3) Encouraging other bodies to use prevention definition

- How are you encouraging other public bodies to use the definition of prevention?

4) Whole Government approach to prevention

- How are you ensuring that a whole Government approach to prevention can be taken with clear leadership and accountability for progress?

Section 3

Assessing year on year progress in the budget

In my advice to Government I emphasised that it needed to be easier for stakeholders to understand what is changing in relation to the budget, and understand what simple changes and more transformational change looks like.

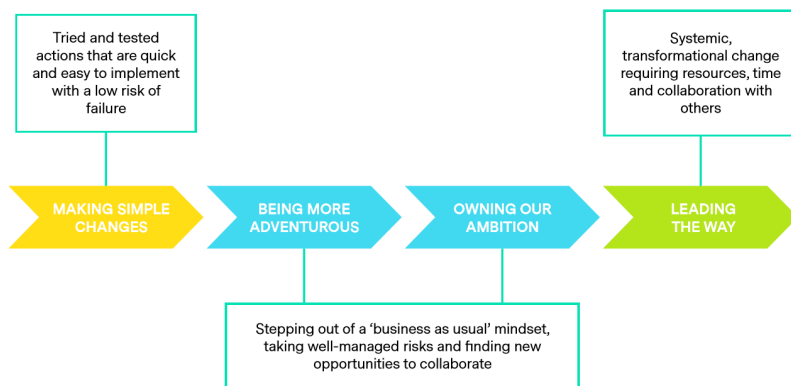
Finance Committee also made similar recommendations:

Recommendation: Welsh Government should work with my office to develop a 'Journey Checker' to set out what good should look like in how the budget process evolves over at least the next 10 years.

Recommendation: Welsh Government should make it clearer how the six priority areas are driving different decisions through considering future trends and scenarios, holistically applying the prevention definition and using opportunities to make system-wide collaborative investments.

Recommendation 8: The Committee is keen to understand how the "journey tracker" will be used by the Welsh Government to accelerate its implementation and integration of the objectives of the Well-being of Future Generations Act and recommends that its use is reflected in the draft Budget 2020-21

Recommendation 9: The Committee recommends that the Welsh Government continues to demonstrate how it embeds the Well-being of Future Generations Act in decision making throughout its organisation, engaging as fully as possible Scrutiny of the Welsh Government Draft Budget 2019-2020 with the Future Generations Commissioner to deliver the cultural change necessary within the Welsh Government.



▶ This diagram is the basis of my 'Journey Checker' - for examples please see my website <https://futuregenerations.wales/the-art-of-the-possible/>

My view on progress from Welsh Government

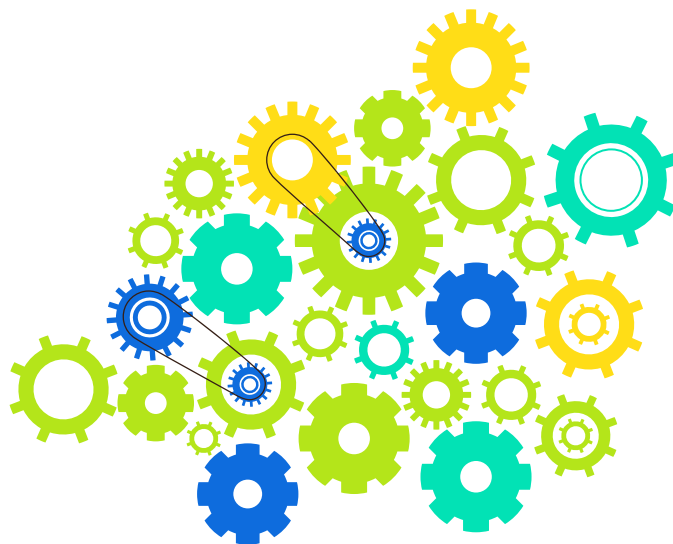
Welsh Government chose to do this work themselves, with a focus on an approach that will be useful to them - they framed this as a 'Budget Improvement Plan'. I am pleased that they have published a draft of this Plan as part of the draft budget 2020-21.

The Plan is a helpful start to understanding what progress in relation to the budget process could look like, and I welcome the fact that it takes a broad view across the Welsh Treasury. I understand that officials have engaged internally within Government on this Plan, and I look forward to seeing how they take on board comments as they engage externally.

Whilst the Plan is a good start, I think there are a number of areas in which it could be strengthened to better reflect the aspirations of the WFG Act and to enable stakeholders to better understand progress – these include:

1) Raise the level of ambition and vision

To reflect the aspirational nature of the WFG Act, the Plan should include more ambitious and transformational actions within a longer-term timeframe, including consideration of what a budget that fully embeds the Act might look like.



▶ The Welsh Government Budget Improvement Plan can be seen at <https://gov.wales/sites/default/files/publications/2019-12/budget-improvement-plan.pdf>

My view on progress from Welsh Government

2) Enable stakeholders to hold spending outcomes to account and track how transformational the change is

The Plan should enable stakeholders to track how spending decisions are changing as well as tracking how the budget process is changing. Welsh Government could learn from the New Zealand Well-being Budget in this regard: wellbeing objectives are first selected, and then cross-government groups make spending proposals against these objectives (with impact assessments alongside). The New Zealand Government selects proposals and then publishes the spending decision shifts that took place as a result of this process.

Links to the New Zealand Well-being Budget:

- ▶ (May 2019 budget)
https://treasury.govt.nz/sites/default/files/2019-06/b19-wellbeing-budget_1.pdf
- ▶ (Guidance)
<https://treasury.govt.nz/sites/default/files/2018-12/budget19-guidance.pdf>

3) Further embed the key elements of the WFG Act, particularly in relation to the 5 ways of working

Whilst the Plan is a helpful way to understand progress, it could go further in reflecting the key elements of the WFG Act, particularly in framing how the budget is enabling focus on Government's well-being objectives, and taking greater account of the five ways of working (particularly 'long term' and 'prevention').

Questions that Members could consider asking as part of scrutiny of the draft budget for 2020/21

1. What is your level of vision and ambition with this work? Do you have a clear idea of what a budget that fully embeds the Well-being of Future Generations Act would look like?
2. How is this Plan going to enable stakeholders to understand what is changing year on year, both in terms of process and in terms of spend?

Section 4

14

Taking further steps to a longer term approach

In the advice I published for Government in December 2018, I included two recommendations that related to Government taking a longer-term approach, which would in turn enable other public services and organisations to plan for the long term.

Recommendation: Welsh Government must demonstrate how they are applying the principles of the WFG Act in responding to the UK Government Spending Review in 2019.

Recommendation: Welsh Government should use the Spending Review as an opportunity to explore options for multi-year spending commitments to public bodies.

Welsh Government have faced significant challenges in budget planning this year, due to the uncertainty around the UK's exit from the European Union, the UK political context and the announcement of a one-year Spending Round rather than a full Spending Review.

I appreciate that these challenges have made taking a longer-term approach more difficult for Government over the past year. For that reason I will not focus on this area of work in my scrutiny of the draft budget for 2020-21.

However I do expect that some progress has been made on the internal preparations required. I will continue to monitor this area with a particular focus on how Welsh Government responds to the UK Government Spending Review that is due to take place next year.

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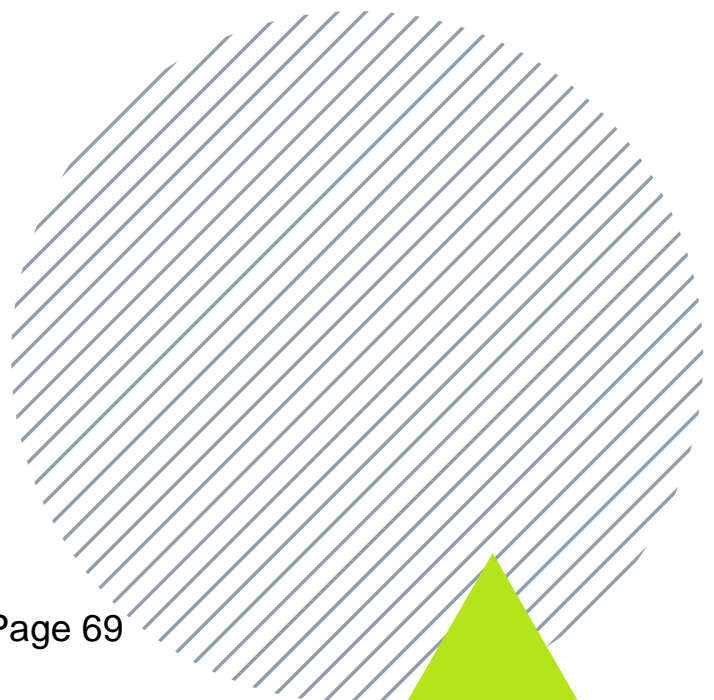


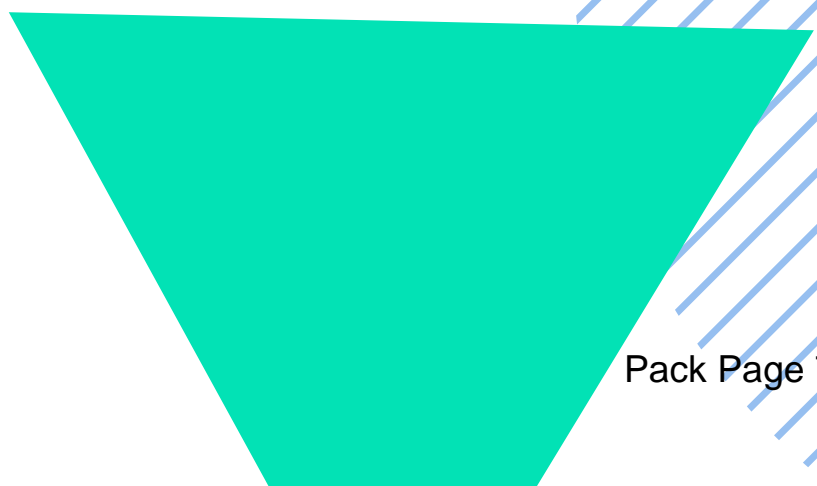
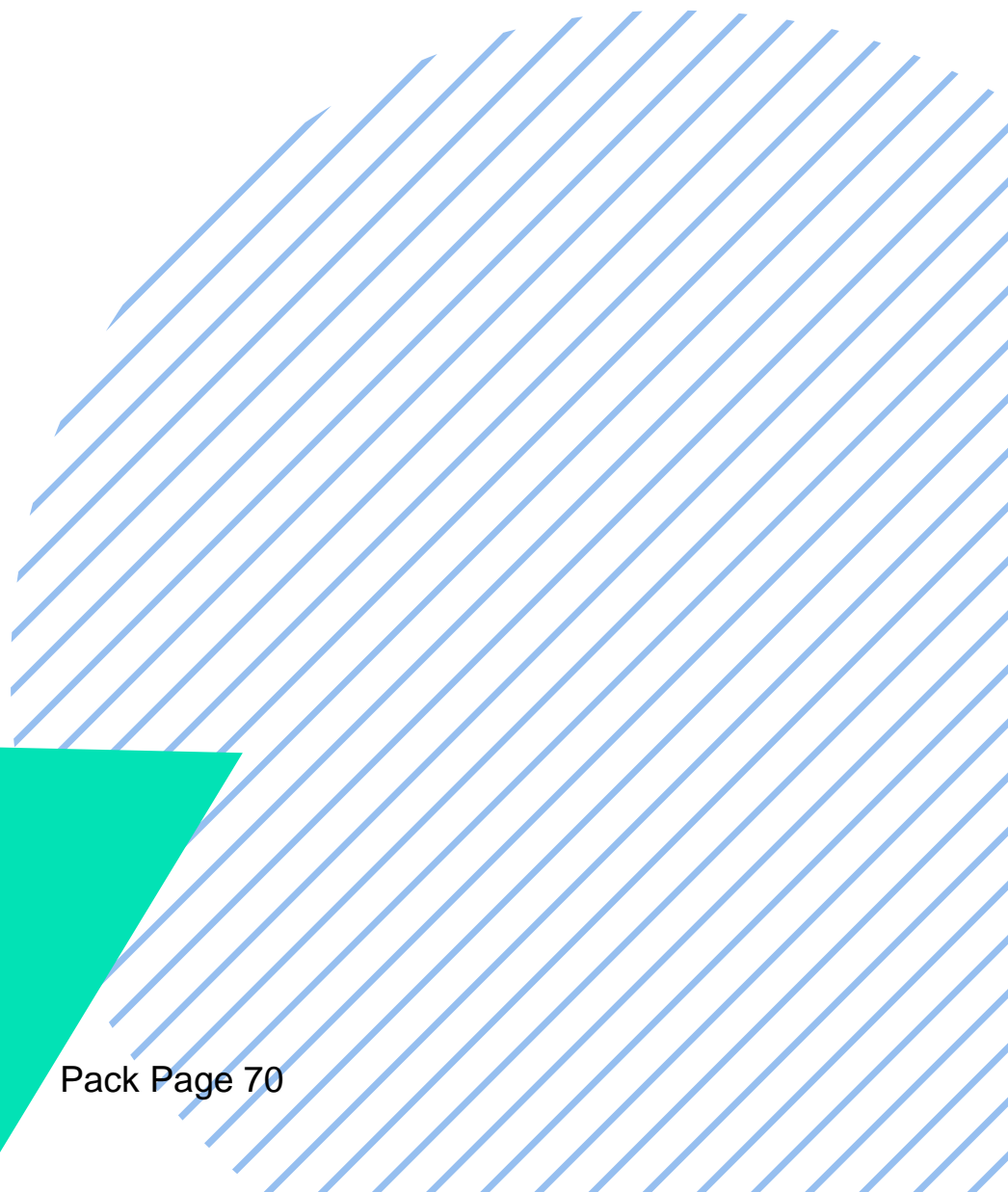
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Memorandum on the Economy and Transport Draft Budget Proposals for 2020-21

Climate Change, Environment and Rural Affairs Committee – 16 January 2019

1.0 Introduction

This paper provides information on the Economy and Transport (E&T) portfolio proposals as outlined in the 2020-21 Draft Budget published on 16 December 2019, as far as they relate to the remit of the Climate Change, Environment and Rural Affairs Committee.

2.0 Strategic Context

The 2020-21 spending plan has been prepared to support delivery of our strategic objectives of a more prosperous, greener and more equal Wales. It supports programmes, actions and interventions designed to raise levels of wealth and well-being, whilst reducing inequalities in both.

Aligned to [Prosperity for All: Economic Action Plan](#), the 2020-21 plan sets our policy, delivery and behavioural changes to support and reflect our well-being objectives. The Economic Action Plan is cross-collaborative and structured around seven of the twelve well-being objectives, one of which is to drive sustainable growth and combat climate change. This recognises that a growing sustainable and inclusive economy is essential for a more prosperous, healthier, resilient and more equal Wales. The Plan delivers a major policy shift across delivery areas to the low-carbon agenda, to encourage decarbonisation and support businesses to improve their resource efficiency.

The economic contract requires businesses seeking Welsh Government investment to commit to reducing their carbon footprint, alongside inclusive growth, fair work and promoting health and learning in the work place.

The Economic Action Plan also sets out how we will establish a partnership between the public and private sector to ensure users, developers and manufacturers of automated and electric vehicles are able to realise benefits from these transformative technologies, reducing carbon emissions and securing an economic dividend for Wales in the automotive revolution.

Brexit and the risks it poses to business and the economy has been an ever-present consideration as part of our budget planning. As a responsible Government, we have taken the principle of sustainability into account in our spending plans. The Development Bank of Wales capital funds of £47m and total funding of £71.488m for inclusive growth and future proofing the Welsh economy help us to mitigate, as far as is possible, the challenges posed by any Brexit outcome and by a potential 'no deal' outcome in particular.

[Prosperity for All: A Low Carbon Wales](#) was published in March and contains 100 policies and proposals that will deliver the first carbon budget 2016-2020

and 2020 interim target. These policies will either directly reduce emissions or contribute to the transition to a low carbon economy that will allow us to meet our legislative targets and enter us onto our emission reduction pathway. The National Assembly is the first Parliament in the world to declare a climate emergency and following the declaration we have accepted the advice of the UK Committee on Climate Change to increase Wales's 2050 emissions reduction target to 95% and will ask the National Assembly to put this into law next year. We have also announced our ambition to work with UKCCC and other stakeholders to develop a more ambitious net zero target.

The decarbonisation of transport presents both serious challenge and major opportunities. The continued investment to address the issues will contribute to the well-being goals of a prosperous, low carbon Wales, a healthy Wales, a globally responsible Wales and our well-being objective of connecting communities. Reducing emissions by modal shift in travel will contribute to achieving our Net Zero by 2050 ambition and reduce air pollution and also contribute to our well-being objective of connecting communities, supporting people and business and tackling regional inequality.

The [National Transport Finance Plan 2018 Update](#) assesses the delivery of key commitments supported by £1.5 billion over 2018-19 and 2019-20. It outlines the significant investment to address the ambitious targets: the rail franchise including investment totalling almost £5bn over the next 15 years to transform rail services across Wales, major legislative reform of the public transport network and the development of integrated, multi-modal transport system across Wales.

The Wales Transport Strategy (WTS) [One Wales: Connecting the Nation](#) currently sets out our strategic priorities and desired outcomes, providing a link to the wider priorities as well as plans at the local authority level. The new transport strategy which is scheduled for publication in December 2020, will include a key focus on moving to lower carbon modes of transport to meet both our decarbonisation targets and reduce the growing number of Air Quality Management Areas which have a strong link to transport related emissions.

Covering all modes of transport, the WTS will be set in the context of the Well-being of Future Generations Act 2015, Prosperity for All: the National Strategy and the Economic Action Plan. To help deliver the vision it will embed the sustainable transport into decision making, transport appraisal (via a review of our Welsh Transport Appraisal Guidance) and investment decisions in order to get more people travelling in ways prioritise walking, cycling and public transport Ultra Low Emission Vehicles also have an important role to play in the decarbonisation of Transport, particularly in rural areas with limited public transport services.

The long-term challenge of decarbonisation requires us to focus on our future skills needs to ensure we transition our workforce and maximise the opportunities presented by global clean growth. The skills and training needs for a low carbon economy may need us to focus on the upskilling and reskilling of

people around new technologies, industries, trades and approaches. Employability and skills is also a key cross cutting theme in Prosperity for All.

3.0 Overview of the Budget

The 2020-21 Draft Budget provides a one year spending plan for both revenue and capital. The table below provides an overview of the planned revenue and capital expenditure for the E&T portfolio.

Summary	2019-20 First Supplementary Budget £'000	Baseline Adjustments £'000	Resource Baseline/ 2020-21 Capital Plans as at 2019- 20 Final Budget £'000	Changes £'000	2020-21 Draft Budget New Plans £'000
Resource	709,770	(7,391)	702,379	30,081	732,460
Capital	581,167	-	609,004	176,722	785,726
TOTAL	1,290,937	(7,391)	1,311,383	206,803	1,518,186
Resource AME	62,437	-	62,437	(32,912)	29,525
TOTAL AME	62,437	-	62,437	(32,912)	29,525
OVERALL TOTAL	1,353,374	(7,391)	1,373,820	173,891	1,547,711

The spending plans for 2020-21 make investments in low carbon programmes and ensure that we are incorporating decarbonisation in long term infrastructure developments. We are also involving people in future decision making to inform our priorities.

Capital investment on infrastructure and preventative measures plays a significant role in meeting the carbon reductions needed.

3.1 Revenue

The most effective way of reducing transport carbon emissions will be to replace car journeys with those using the existing public transport system and active travel. The majority of Transport expenditure for programmes and policies may be attributed to primary preventative spend which promotes sustainable modes of transport and thus reducing environmental impacts and increasing activity levels which supports health outcomes. Revenue spend on public transport and sustainable travel accounts for 75% of the total transport revenue budget (excluding non-cash). This is made up of 18% for Active Travel Action and 57% Rail support.

The South and North Wales Metro integrated transport proposals have the potential for transformational change in terms of both decarbonisation and economic benefit. In 2020-21 revenue funding of £185.4m (36% of the budget,

excluding non-cash) is provided for the rail franchise and services improvements, which includes an additional allocation of £15m as part of this draft budget. The new rail contract reflects our commitment to carbon reduction in promoting a modal shift.

In progressing the commitments in *Prosperity for All*, I have prioritised investment in bus services to encourage a modal shift from car to public transport. The plans provide £94m for bus travel (revenue and capital) for the bus support grant, concessionary fares and the youth discounted travel scheme. Affordable travel is important in delivering our cross cutting priorities and vital for social cohesion.

Our plans recognise the importance of working with businesses to promote decarbonisation and reducing carbon footprints. The Business Wales budget of £5.6m revenue supports responsible business practice and provides resource efficiency advice to entrepreneurs and businesses through Business Wales, as well as advice on environmental action planning, workshops and networking activities. A sketchbook and interactive tool have been developed to further promote the carbon agenda.

Business Wales also supports the Green Growth Pledge for businesses to demonstrate their positive impact on the people and places around them and join a growing community of forward-thinking organisations. The Green Growth Pledge is part of the specialist sustainability support and is open to all Welsh SMEs regardless of their industry sector. By signing up to the pledge, each company is asked to make a commitment to one or more actions to help them reduce impact or ensure sustainable performance.

The Business & Regional Economic Development budget of £6.8m helps drive sustainable growth and combat climate change. The transition to a low carbon economy presents unique challenges and opportunities for renewable energy. In terms of the way we produce energy, we need to ensure that the infrastructure we invest in helps to generate low carbon energy, improves transmission and distribution and ensures we are fit for the future, enabling smart technologies and meters to provide flexible solutions.

Our [Employability Delivery Plan](#) for Wales will reshape employability support both for people who are job-ready and those who are furthest from the labour market. Working, whether paid or unpaid, is good for our health and wellbeing.

In May 2019 we launched [Working Wales](#) which strengthens the accessibility for individuals to obtain professional advice and support and referral to job opportunities. Our interventions also aim to maximise the employment opportunities in moving towards a low carbon economy both in terms of high skills and as an entry point into the jobs market. Careers Wales, who deliver the Working Wales advice service have committed to supporting the Welsh Government's agenda for sustainable development and the environment.

In the delivery of our new employability programme, *Job Support Wales*, which is scheduled to commence delivery in April 2020, contractors must be aware of

(and are encouraged to consider adopting) the Eco-Code Action Plan Toolkit to further support existing actions in protecting the environment

Employability programmes will contribute to the development of a sustainable workforce for the waste management and recycling industry. Assisting in filling key job roles in the collection, transfer, treatment and final disposal of waste and resources. It will also focus on jobs that support clean energy production techniques within a range of different industry sectors.

We continue to fund the [Forestry Apprenticeship Pilot Project](#) which aims to use forestry management skills to develop and adapt forestry practices in order to help reduce the impact of climate change and increase in skills to drive sustainable timber resources.

3.2 Capital

The additional investment in 2020-21 confirms the Welsh Government's commitment to using the available capital levers to support a greener Wales, responding to the climate emergency and delivering *A Low Carbon Wales*.

Electric Vehicle Transformation – £29m (£21.5m Core and £7.5m FT Capital)

Targeted investment in electric vehicle charging infrastructure aims to transition to a zero emission public transport fleet by 2028 and intervene where there is no commercial investment. This offers additional benefits to private sector investment. Supporting low carbon public transport travel has an important contribution to make in lowering carbon emissions, improving air quality and fits with our approach to transport decarbonisation being accessible to all, not just those who can afford an electric car.

The Department of Transport launched £48m for a grant scheme to promote greener public transport across England and Wales Following trials last year, operators in Cardiff, Newport and Caerphilly have been awarded £8.5m worth of UK Government funding for electric buses. Cardiff Bus will have a fleet of 36 buses, Newport Bus have ordered 15, the first of which entered service in July 2019, while Stagecoach in South Wales will have 16 for its Caerphilly depot. The operation of these buses will offer useful insights into practical delivery issues and public perceptions as well as reducing air pollution.

Roads Resilience - £25m

The reliability of public transport is key to encouraging people to switch to more sustainable modes. Bus travel can only compete with car journeys where there is investment in high quality bus corridors with dedicated bus lanes and filters, good shelters and real-time information provision. At the start and end of every public transport journey is an active travel element: the walk or cycle ride to the stop or station and from it to the final destination. Therefore, seamless integration between active travel and public transport allows people to complete their whole journey quickly, safely and conveniently.

Disruption to public transport caused by severe weather events, which are becoming more and more frequent, places a burden on individuals' lives, on businesses, public services and the wider economy. The additional funding will support highway improvements at locations on core bus networks and strategic highways that are at risk from flooding and other climate change impacts. In addition, it will also target walking and cycling infrastructure that is at risk from severe weather events.

North Wales Metro - £20m

The North Wales Metro is a priority identified in *Prosperity for All* as a key contributor to delivering modern and connected infrastructure. The projects will facilitate modal shift from the private car, and deliver our objectives of improving air quality and reducing carbon emissions. The vision [Moving North Wales Forward](#) highlighted investment in all travel modes to achieve sustainability and climate change objectives and delivering economic growth across North Wales, connecting people to jobs and services and businesses to markets.

The investment will deliver:

- Active travel routes such as in the Deeside industrial area where we will connect all businesses to active travel routes within the Park and to the wider network across Deeside and into Chester and the Wirral. The routes constructed recently are very popular, not just with commuters but with families and other leisure users too. There are already around 10,000 cycle trips per month through the Park demonstrating what can be achieved through investing in high quality, connected facilities.
- Transforming public transport by investing in new buses to the latest environmental standards, developing park and ride site to reduce travelling by car.
- Additional train services and new stations and improving access to the strategic rail network for residents and businesses.
- Highway improvements to tackle congestion, improve air quality and improve opportunities for walking, cycling and bus travel as well as addressing safety on local roads.

Rail Investment - £391.7m

Rail investment is a priority in the plans. In addition to the revenue funding of £185.4m for the rail franchise the capital budget for rail investment is £206.3m including the North Wales Metro. Our ambition for transformational change in public transport will see passengers travel on greener, state of the art trains which utilise next generation digital connectivity. Low emission vehicles are a priority to achieve our aim for a zero emission public transport fleet by 2028.

Our approach to increasing the modal shift to public transport from private vehicle use, which will be facilitated by the new rail service, will play a large role in minimising the effect of greenhouse gas equivalent emissions and mitigating against the impacts of climate change. Ambitious carbon reduction targets will help to improve air quality, whilst modernising facilities at stations will encourage active travel choices.

Aviation - £12.405m

We have provided £12.405m (capital and revenue funding) for Aviation – this includes an additional allocation of £4.8m FT capital which will support Cardiff Airport's ongoing operations and allow for critical infrastructure improvements to be made.

Cardiff Airport, which under the ownership of Welsh Government, promotes carbon reduction through operational measures designed to minimise fuel burn on descent and take-off and in taxi movements around the airfield. In addition, there are environmental benefits from facilitating people to fly from their local airport rather than traveling further for the same flight.

Motorway and Trunk Road Operations - £152.6m

The investment in maintaining and operating the roads network is vital to deliver services that maintain and operate the motorway and trunk road network, providing a steady state, safe network that allows goods and people to move across Wales. The additional funding of £15m in 2020-21 will help us to meet our statutory responsibilities. A further £149m supports the development of national transport infrastructure.

We are actively working on areas to reduce emissions at key locations across the trunk road network that have been highlighted as potentially exceeding EU tolerances as well as applying the fundamentals across the network. This includes a package of interventions but linked to the core requirement that reliable network and reliable journey times allow an informed choice, allowing road users to alter journey time patterns.

We engage with stakeholders to understand how we can maximise community benefits and encourage our Trunk Road Agents to commit to social responsibility in delivering our responsibilities.

We seek to ensure that our interventions are designed to minimise construction carbon and vehicle emissions in accordance with the Welsh Government's policies for climate change and reduction of greenhouse gas emissions as confirmed by Part 2 of the Environment (Wales) Act 2016. As such, we promote the use of innovative and best practice construction methods, reducing waste, reusing materials on-site and aim to help roll out infrastructure to support the delivery of electric vehicles and CAVs as well as scrutinising our own fleet to ensure, where possible, the most environmentally friendly solution is adopted (such as the Latest Euro standard for HGVs and even trialling PHEV Traffic Officer vehicles).

Commercial Property Development Fund - £14m

The additional funding will meet the regional need identified in the Property Development Plan to provide approximately 150,000 sq ft of high quality, modern employment floor space capable of supporting indigenous and inward investment.

The focus of this additional funding is the refurbishment of existing building stock, which will have a net positive impact on biodiversity compared with equivalent new build projects on undeveloped land, which inevitably results in the need for additional mitigation to offset any unavoidable habitat consequences from green field development.

Economic Action Plan – Business and Regional Economic Development - £25.9m

Decarbonisation and climate change are key pillars of the Economic Action plan, supporting the creation of well paid, fair work and sustainable jobs all across Wales. An additional allocation of £25.9m, including £5m FT capital for the Repayable Fund for SMEs, has been provided for the Economy Futures Fund. We expect all requests for funding to meet at least one of five “Calls to Action” which include one relating to Decarbonisation.

The Economy Futures Fund consolidates a number of existing business finance schemes, including the Environmental Protection Scheme. From the launch of the Economy Futures Fund to date there have been three offers of support totalling c£13m accepting decarbonisation as the primary Call to Action. Many investments will also contribute to decarbonisation as sustainability is a central consideration for all funding.

Tech Valleys - £10m

Tech Valleys aspires to future-proof the economy by capitalising on the opportunities arising from the fourth industrial revolution, by encouraging the adoption of emerging digital technologies that support cutting edge industries, including the automotive sector. The allocation of £10m (revenue and capital) in 2020-21 will contribute to delivering regional economic development, creating industries of the future underpinned by the spirit of the Economic Contract. This forms part of a £100m commitment over 10 years, to create at least 1,500 sustainable jobs closer to home across Tech Valleys, with the primary focus being Ebbw Vale and the wider Blaenau Gwent area.

Valleys Taskforce - £19.5m

[Our Valleys Our Future](#) is supported with £32m capital funding for financial years 2019-20 and 2020-21, including £7m for the Valleys Regional Parks. This initiative is already bringing partners from across the valleys together as a forum to enable and deliver significant social, economic and environmental benefits. This will including provision of accessible high-quality green space for improved

health and wellbeing, support of climate change adaptation by maximising the role of green infrastructure and improving biodiversity and habitat connectivity.

The cross cutting delivery is focussed around seven priorities which also includes including transport, housing and the foundational economy. An update on the delivery is provided in [Our Valleys Our Future Progress Update 2018-2019](#).

4.0 Climate Emergency

The climate emergency declaration sends a clear signal the Welsh Government will not allow the process of leaving the EU to distract us from the challenge of climate change, which threatens our health, economy, infrastructure and our natural environment.

A Low Carbon Wales importantly shows where action needs to happen across all emissions sectors and enabling actions. The transition to a low carbon economy brings opportunities around clean growth, quality jobs and global market advantages, as well as wider benefits such as better places to live and work, clean air and water, and better health.

The updated Transport Strategy (scheduled for publication in December 2020) which will include a key focus on moving to lower carbon modes of transport to meet both our decarbonisation targets and reduce the growing number of Air Quality Management Areas which have a strong link to transport related emissions. As part of this draft budget we have provided additional funding – some examples are outlined in section 4 above and include support for Low Emission Vehicles, Resilient Sustainable Travel, the North Wales Metro and the Rail Franchise.

Walking and cycling will be common for more people, improving the health and safety of the nation. We aim for public transport to be clean and efficient, stimulating local industries. As such we have provided a total of £219m in Sustainable Travel as part of this draft budget.

Additional funding of £18.4m FT capital for Tirion Homes supports residential developments, two of which are brownfield sites. Extensive remediation works have been carried out, including the removal of hydrocarbons, asbestos and knotweed. Three pilot zero carbon units will be delivered at The Mill, Cardiff and 225 zero carbon units at Parc Eirin. These new Energy Positive homes have the potential to be a net exporter of electricity. As a result, the homes will achieve near zero carbon emissions during their operational lifetime. Parc Eirin will be the largest energy positive housing project in the UK and the data gathered as part of the project will prove to long-term investors that zero-carbon technology can be supported with private finance.

The main pillars of the Economic Action Plan are decarbonisation and climate change, supporting the creation of well-paid sustainable jobs all across Wales. We have invested an additional £25.862m for the Economy Futures Fund and Repayable Fund for SMEs. We expect all requests for funding to meet at least

one of five “Calls to Action” which include one relating to decarbonisation. Currently there are funding options to support small and larger companies (via Carbon Trust and Environmental Protection Scheme) while medium sized companies do not have access to energy efficiency support.

5.0 Preventative Spend

The majority of Transport expenditure for programmes and policies may be attributed to preventative spend. Active travel in terms of promoting sustainable modes of transport and thus reducing environmental impacts and increasing activity levels which support health outcomes. Concessionary bus travel is particularly important in rural areas and vital for social cohesion and well-being.

Transformational change will be achieved with the integrated transport schemes. The South Wales Metro is an integral part of the Cardiff Capital Region City Deal this will be the catalyst for the broader regeneration, helping to shape the regional economic and social infrastructure, social mobility and equality of opportunity for some of our most deprived areas. In delivering better outcomes preventative spending measures are therefore important for the long-term.

Our investment in road safety, road maintenance and improvements in network management helps to prevent more significant issues and accidents over the longer term. Our Road Safety Framework for Wales sets out a targeted approach to providing funding for road safety initiatives and investment across Wales and funding is streamlined to help achieve challenging targets for casualty reduction. It is designed to reduce and as far as possible prevent the huge economic and social burden that each casualty brings with it.

Capital schemes that target routes or communities where there is evidence of road traffic collisions resulting in killed and severely injured casualties, or where significant numbers of slight injury collisions have occurred are prioritised. Works can include improved junctions, pedestrian and cycling crossing points and foot/cycleways, high friction surfacing, signal controls, improved signage and the installation of speed cameras.

Revenue initiatives are funded where they target particularly high risk and vulnerable groups and include cycle training, child pedestrian training, motorcycle training and education, older driver training and driver training for young people.

Our Employability Delivery Plan for Wales will reshape employability support both for people who are job-ready and those who are furthest from the labour market. Our aim is to give people the opportunity to get the skills and experience they need to access and keep decent jobs. Skills levels, and particularly higher skills, are also important for driving productivity. Overall levels of qualifications held by working age adults in Wales have been rising, as shown in the national well-being indicators. In May 2019 we launched *Working Wales* which strengthens the accessibility for individuals to obtain professional advice and support and referral to job opportunities. Our interventions also aim to maximise

the employment opportunities in moving towards a low carbon economy both in terms of high skills and as an entry point into the jobs market.

6.0 Evidence Based Policy Making

Evidence from a wide range of sources such as published research, engagement with stakeholders, previous policy evaluations and statistics underpins our financial decisions. Organisations such as the Wales Centre for Public Policy based at Cardiff University is funded by the Economic and Social Research Council and the Welsh Government. The Centre collaborates with leading policy experts to provide Welsh Ministers and officials with high-quality evidence and independent advice to improve policy decisions and outcomes.

The Centre and its predecessor, the Public Policy Institute for Wales (PPIW) have published several reports relating to the Economy and Transport portfolio including [Air Quality Strategies and Technologies](#) and [Rural Poverty in Wales](#).

The Economic Intelligence Wales (EIW) was established from a collaboration between the Development Bank of Wales, Cardiff Business School and the Office for National Statistics to provide a unique resource for Wales. EIW will provide the evidence base for policy decisions, enabling the Welsh Government, Business Wales and DBW to challenge and adapt the support offered to Welsh SMEs.

The evidence and scope of the appraisal undertaken during policy and programme development are assessed on the basis of risk, size and scale, existing evidence base and other factors. Feasibility studies are undertaken prior to the commencement of key projects to assess suitability in delivering against our goals, whilst gateway reviews for large projects are completed to challenge all aspects of a business case including the essential value for money assessment. Whilst the reviews are project specific, they help to build up a useful source of information for considering other projects. Internal and external audit reports can be helpful in a similar way.

We fund the Wales Social Partners Unit, through a competitive tender process, to deliver engagement services between Social Partners and the Welsh Government in Wales. This helps ensure that the views of some of our key stakeholders are embedded into policy development and delivery.

We have simplified and streamlined the advisory architecture, replacing a range of advisory bodies with a single Ministerial Advisory Board that provides regular, creative and high-quality advice to me to help improve economic development in Wales in line with the priorities and vision set out in the EAP.

From a transport perspective, we fund Bus Users Cymru to represent passengers' interests and to input to policy development. This includes contributions to policy consultations, monitoring of bus services, dealing with complaints and holding bus surgeries throughout Wales. We also fund the Community Transport Association to help develop and implement community

transport solutions where conventional bus solutions may be unnecessary or too inflexible to accommodate passengers' requirements.

The Welsh Government continues to financially support the work of the Traffic Commissioner for Wales in regulating the freight and bus passenger networks in Wales, and in promoting standards among both sectors that will help to prevent the need for his intervention. We are providing dedicated office premises in Cardiff to enable the Commissioner to work in and for Wales, facilities that will be extended to north Wales in due course, and then to the new Transport for Wales (TfW) premises in Pontypridd.

We have created the cutting-edge South East Wales multi-modal transport model. This allows new policies, such as 20mph speed limits, and transport schemes, such as the Metro, to be tested and refined in order to maximise value for money and optimise their potential impact. We have now commissioned through Transport for Wales, the creation of equivalent models for the South West and Mid-Wales region, as well as for North Wales, to inform transport and infrastructure decisions in these regions.

We have taken steps to continuously improve and update the data feeding into these models, including mobile phone data that provides comprehensive information on travel patterns, as well as the broader evidence base for transport policy appraisal including the procurement of new datasets.

In addition to this, we have developed proposals for funding for academic research into various areas of transport, and its links with the well-being of future generations, thereby equipping us with the evidence we need to inform decisions on policies and interventions that will deliver our priorities.

Finally, we have established a steering group to document, streamline and improve the way we monitor and evaluate the transport schemes that we fund. This draws on expertise from across Welsh Government and TfW, ensuring that we can fully reap the benefits of monitoring and evaluation. This will help us to learn from the effectiveness of interventions, and inform future decision making.

7.0 Well-Being of Future Generations Act

The Economic Action Plan (EAP) is cross-collaborative and structured around seven of the twelve well-being objectives:

- Support people and businesses to drive prosperity.
- Tackle regional inequality and promote fair work.
- Drive sustainable growth and combat climate change.
- Build ambition and encourage learning for life.
- Equip everyone with the right skills for a changing world.
- Deliver modern and connected infrastructure.
- Promote and protect Wales's place in the world.

It also embeds the five ways of working. The calls to action and the economic contract challenge Government and businesses to look at future investment

through the contribution they will make to innovation and entrepreneurship, research and development and automation, exports and trade, high-quality employment and skills, and decarbonisation. These are some of the key strategic challenges we have to address if we are to secure growth not just today, but growth that is futureproofed to maximise opportunities in the long term. Taken together, the economic contract and calls to action promote public investment with a social purpose - driving wealth and well-being and reducing inequality. There is evidence that well paid work is the best route out of poverty and the greatest protection against poverty for those at risk. We continue to create opportunities for individuals and families with initiatives and targeted investment across Wales. The socio-economic duty is integral to delivering our ambitions.

In the case of Transport for example, the NTFP has been informed by a number of impact assessments which are available [here](#). The Plan sets out our investment programme over the coming years. The Equality Impact Assessment concluded that there are no negative impacts on protected groups and that public transport and active travel schemes included in the Plan will assist in reducing any disadvantage experienced by these groups.

Before investments are made on the interventions identified in the NTFP, schemes are taken through the WeITAG process which identifies the issues and possible solutions that could address these. The solutions are then assessed against the Wellbeing goals before a preferred solution is selected.

8.0 Equality, Welsh Language & Children's Rights Assessment

In formulating our plans, the following key demographic trends from the recent report, produced by the Office for National Statistics (ONS), on [national population projections 2018](#) have been considered which suggest that:

- The population of Wales is projected to increase by 0.6% to 3.16 million by 2028, but decrease by 0.9% to 3.11 million by 2043. This is the first time a longer-term population decrease has been projected for Wales in recent times.
- The number of children aged under 16 is projected to decrease by 6.8% to 524,300 between 2018 and 2028.
- The number of people aged 16-64 is projected to decrease by 1.7% to 1,890,400 between 2018 and 2028.
- The number of people aged 65 and over and 75 and over is projected to increase by 13.8% to 742,200 and by 29.0% to 377,300 respectively between 2018 and 2028.

According to the [Relative Income Poverty](#) for year ended 2018:

- 24% of all people in Wales were living in relative income poverty between 2015-16 and 2017-18. This figure has remained relatively stable (between 22 and 24%) for the past 15 time periods. At 24%, the figure is the same as last year's.

- Children were the age group most likely to be in relative income poverty between 2015-16 and 2017-18 (at 29%) and this has been true for some time. This is an increase from the 28% reported last year and is only the third time this figure has been below 30% since the period ending 2005-06.
- 23% of working-age adults were in relative income poverty between 2015-16 and 2017-18. This is down from the 24% reported last year. The figure has been around 21 to 23% for most of the time periods since the late 1990s.
- 19% of pensioners in Wales were living in relative income poverty between 2015-16 and 2017-18. This represents a drop from the 20% reported last year and it remains below what it was throughout the mid to late 1990s.
- Living in a workless household increased the chances of being in relative income poverty for working-age adults and children.
- Children living in lone parent families were more likely to be in relative income poverty than those living in households with a couple.
- People who were living in households where the head of the household was from a non-white ethnic group were more likely to be in relative income poverty compared with those where the head of the household was from a white ethnic group.
- Living in a household where there was someone with a disability increased the likelihood of living in relative income poverty for working-age adults and children but not for pensioners.

Women, children, older people and people from lower income households all rely on public transport and particular buses, for their daily journeys to a high degree. Investment in high quality, reliable bus corridors therefore addresses the imbalance in transport investment, which historically favoured road and rail, modes that are disproportionately used by higher income adult males.

Women and older people are currently underrepresented among those using cycling as a mode of travel and therefore don't benefit from the health, well-being and economic benefits for the individual this brings. By providing high quality, safe and segregated infrastructure and increasing the low cost availability of public cycles and particularly electric assisted cycles, cycling will become more attractive to these potential user groups.

Children's freedom to move independently outdoors is severely restricted due to safety concerns and the prevalence of car traffic in our neighbourhoods. By improving bus services and increasing the options for walking and cycling, children's safety and independence will be enhanced.

The ability to provide sustainable transport to access employment and services will help people to continue to live in their communities and assist to safeguard the Welsh language in those communities at risk. It will also be positive from a

cultural perspective as it will allow people who are reliant on public transport to attend attractions and events that promote the Welsh language.

Those without access to a car in rural areas are particularly badly affected by the sparsity of public transport provision and the lack of safe walking and cycling routes. WG are currently working on piloting innovative demand responsive public transport schemes and this fund provides a further opportunity to add value to what can be taken forward through other funding streams.

People who use public transport have significantly higher levels of everyday physical activity than car users, in particular by walking to and from public transport. The direct physical and mental health benefits of physical activity and in particular walking and cycling are very well evidenced. In order to reduce health inequalities, it is important to attract new user groups to these active modes, by providing safe and convenient options, including low cost access to cycles, and by making sure that the infrastructure provided caters for the journeys they need to make.

Cycling is a very low cost form of transport and, through the provision of reliable bus services, and walking and cycling routes and low-cost cycle hire facilities, Public and active transport provision enables people to participate fully in the labour market, education and training, as well as access services.

In February 2019 we extended our MyTravelPass (MTP) discounted bus travel scheme for 16 to 18 year olds to include 19 to 21 year olds. The scheme guarantees that participating bus operators provide one-third discounts to younger persons who have obtained a free MTP card. This extension built on the already successful and popular MTP scheme that was introduced in September 2015 for the younger cohort.

Children's ability to move around and play outside independently and safely depends on the creation of environments that allow them to do so. Children are reliant on walking and cycling and public transport for this to a much greater extent. Our investment in active travel, with a particular emphasis on engagement with children and young people in deciding which routes need to be built or improved, helps create the routes that connect children and young people with education and leisure facilities, friends, and also job opportunities.

Welsh Government is also boosting the active travel promotion in schools budget by more than 50% (£1.9m in 2020-21 from transport budgets) and this will encourage greater numbers of children to walk and cycle to school, with well evidenced benefits for their health, well-being and attainment.

9.0 Legislation

A recent written statement provides an [Update on the Public Transport \(Wales\) Bill \(currently referred to as the Buses \(Wales\) Bill and wider bus reform agenda\)](#).

The Bill includes provisions relating to improved partnership working arrangements known as Welsh Partnership Schemes; franchising; and local

authority run bus services. The Bill will also put in place new information management and sharing arrangements, so that information to the public will be more accessible and reliable, and local authorities will be in a better position to make arrangements to address changes in service provision.

The intention of the enabling provisions is to ensure that local authorities have access to a comprehensive suite of tools when seeking to address the challenges with bus service delivery in their area, and work with stakeholders towards developing an accessible, affordable and integrated bus network that meets the needs of Welsh communities.

The enabling provisions will be subject to appropriate processes to ensure that proposals or schemes developed under the provisions are robust and fair.

Welsh Partnership Schemes (WPSs) will be required to contribute to the implementation of local transport policies, be developed in partnership with bus operators and be subject to a meaningful consultation process. In order to ensure a partnership balance between local authorities and bus operators, the intention is that WPSs will have formal objections provisions and will be subject to the appropriate competition tests.

To ensure that new franchising proposals are robust, the legislative changes will set out requirements that must be taken into account in any new franchising proposals and Welsh Ministers will provide best practice guidance. The intention is that each franchising proposal must be thoroughly considered through a detailed business case, which is subject to audit, followed by a formal consultation. Only then can a decision to franchise be made.

For local authority run bus services, the local authority would need to ensure compliance with state aid and competition law and, if a local authority decided to run services, those services would be subject to the same competitive constraints and registration requirements as any other operator.

10.0 Electric Vehicle Charging Point Network

We have committed to developing an Electric Vehicle Charging Strategy for Wales in 2020 which will scope out the context for the consideration of further Welsh Government intervention in the provision of electric vehicle charging infrastructure.

We are working with Transport for Wales and the wider public sector in Wales to increase the number of electric vehicle chargers in Wales. The allocation of £2m in the Two Year Budget Agreement supported the provision of rapid chargers on the strategic road network.

The scope of this work has now been expanded to lever in private sector funding for rolling out electric vehicle chargers at railway stations, and chargers at public car parks. Expanding the scope of the scheme should result in a much higher number of installations.

11.0 Improving Air Quality

The [Written Statement on Air Quality](#) published on 7 October 2019 provided a positive update on our plans to reduce air pollution in Wales to support a healthier future for our communities, our natural environment and our country.

Whilst the indicated reduction in NO₂ concentrations is positive news, as highlighted in the supplemental NO₂ plan, we will continue with the goal of achieving compliance in the shortest time possible. This includes the continued development and the stakeholder engagement on the 'Precautionary Retained Measures' (PRM's). The PRM's are more complex than the 50mph speed limits and include potential Clean Air Zones on the A470 and M4 Newport, junction closure and variable diversions on the M4 at Port Talbot, air quality barriers on the A483 and A494 and accelerated development of park and ride facilities on the A470. Whilst development of the PRM's commenced in 2019, in all cases they require the support of the local authority and wider community and it is, therefore, considered that implementation is likely to be spread over the next few financial years. Funding to continue development of the PRM's, which may include a number of public consultation exercises and significant design activities is, therefore necessary in 2020-21. Failure to demonstrate that progress on their design and implementation is being made may be considered contrary to ruling made by the High Court in 2017, which directed Welsh Ministers to update the NO₂ plan and identify and implement those measures that were likely to help achieve compliance in the shortest possible time.

In addition to the Action Plan and Precautionary Retained Measures, the Welsh Government is also looking to implement a number of complimentary measures to help provided greater awareness of the public health risks associated with poor air quality and includes communication campaigns, display of real-time NO₂ data and the installation of additional informatory signs that will be designed via an all-Wales Schools competition. This work has already commenced, but will continue during the current and next financial year.

Although all measures associated with the 50mph speed limits will be in place by the end of the current financial year 2019-20, it is possible that further measures may be necessary following publication of the next monitoring report in March 2020. It is envisaged that the speed limits will be retained until NO₂ levels drop and remain below the legal limit and if secondary issues following retention of the speed limits are identified through monitoring including road safety, noise and visual intrusion are identified, funding is likely to be required to provide appropriate mitigation measures.

12.0 Green Corridors on the Welsh Trunk Road Network Initiative

The five year [Green Corridors Initiative](#) will deliver against the Economic Action Plan by creating a sustainable economy and promoting the economic, cultural, social and environmental well-being, and enhancing people's quality of life in Wales.

In targeting actions under the Green Corridors initiative our priority areas are identified as:

- Gateways into Wales (initially looking at opportunities on the first 5 miles of the trunk road and motorway network) e.g. A494 (Deeside), M4 and A483.
- The trunk roads along the 3 designated routes that make up the Wales Way. A55 – The North Wales Way, A470 – The Cambrian Way and A487 – The Coastal Way.
- Routes into and around our principal towns and cities around strategic sites such as Wrexham, Bangor, Cardiff, Carmarthen, Newtown and Llandrindod Wells.
- Other areas of opportunity:
 - Routes that pass through our National Parks, other designated landscapes or alongside protected sites such as Special Areas of Conservation (SACs) and Sites of Special Scientific Interest (SSSIs).
 - New major road infrastructure projects or smaller road upgrade schemes.
 - Other areas of the network where we can deliver actions within existing programmes of work.

The majority of the initiative proposals are being delivered within existing resources through Transport's capital programme or through planned road infrastructure projects.

Within our capital programme, Green Corridors projects are prioritised against other schemes delivering our statutory responsibility to provide a safe and reliable motorway and trunk road network. The 2020-21 plans maintain investment levels of around £1.6m for Green Corridors projects.

A range of projects and other measures are being developed and planned for next year's programme including:

- Targeted tree planting and landscape improvements at Gateway sites including an on-going programme of bulb planting at key locations.
- Road verge enhancement projects for wildflowers (and to benefit pollinators), across the network.
- Continuation of the landscape restoration programme to maintain landscape quality, locations at Gateway sites and across the network.
- Identification of priority species and habitats on the network, and actions to restore/enhance/conservate them (e.g. Dormouse habitats and bat foraging sites) or improving connectivity to the wider landscape.

13.0 [WelTAG 2017](#)

The approach to appraising transport options where we undertake capital improvements also considered economic, social, cultural and environmental issues and opportunities (through WelTAG 2017 guidance), helping identify the right solution that will help build healthier communities and better environments.

We have been working with WelTAG users on several studies to assist with the implementation of WelTAG 2017. We hosted two well attended WelTAG workshops, which brought WelTAG users together to discuss their experiences and examples of best practice. It is our intention to set up a WelTAG Community of Practice and hold more workshops and training sessions to provide ongoing support to WelTAG users and enable the sharing of learning and best practice.

We have identified key themes where WelTAG users require further support and guidance. Supplementary guidance is being drafted on engagement and consultation and also how to apply the Well-being of Future Generations Act at each stage of the process. We are currently considering the schemes that will be subject to a WelTAG audit and the nature of the audit.

We have embedded the WelTAG process in our local transport grants application process to ensure that the schemes receiving Welsh Government grant funding have demonstrated how they are delivering the well-being goals and objectives and are developed using the five ways of working. We will continue to review the Guidance.

14.0 South East Wales Transport Commission

A written statement on the [South East Wales Transport Commission](#) was made in October. The Commission's remit is to consider the full range of issues relating to congestion on the M4 in South East Wales and provide recommendations on interventions to tackle it, the approach is set out [here](#).

The vision is to recommend a set of measures which will alleviate congestion in a sustainable way that supports the wider well-being of people who live, work and travel in the area. The Commission aims to publish a progress update by the end of this year. We have been clear that we remain committed to delivering a solution to congestion on the M4 in South East Wales.

15.0 National Infrastructure Commission for Wales (NICW)

The Minister for Housing and Local Government is leading on the work of the National Infrastructure Commission. The NICW published its first [annual report](#) on 27 November. The report sets out the commission's initial findings, some provisional views and priorities for further investigation that have emerged from its work.

16.0 Transport for Wales Contribution

Establishing Transport for Wales as our expert delivery agent will change the specification and deliver of transport services and infrastructure in Wales. In June 2018, Transport for Wales (TfW) appointed their Rail Services Delivery Partner, Keolis Amey to operate the next Wales and Borders Rail Services Contract which commenced from 14 October 2018. This brings significant benefits and opportunities, including a £1.9bn investment programme by the operator which supports our objectives to bring transformation to communities and people the length and breadth of Wales and its borders.

The Welsh Government's [statistics on Rail Transport](#), demonstrate the number of rail passenger journeys in Wales increased in 2017-18, reaching the highest level on record. There were 31 million rail passenger journeys which either started or ended in Wales in 2017-18 (an increase of 1.9% compared with the previous year). Over two-thirds (69%) of these journeys were within Wales.

Our approach to increasing the modal shift to public transport from private vehicle use, which will be facilitated by the new rail service, will play a large role in minimising the effect of greenhouse gas equivalent emissions and mitigating against the impacts of climate change.

Transport for Wales are managing the delivery to achieve key targets:

- The electrification of the core Valley Lines and the reduction in carbon and Nitrous Oxide emissions as a result.
- By year five of the Operation Development Partner (ODP) Grant Agreement's requirement that 100% of electricity procured by the ODP is from renewable sources.
- A required reduction of 25% in the wider franchise and 60% in the core Valley Lines of direct carbon emissions and 100% of indirect emissions by year five of the ODP Grant Agreement.

The way in which we procure our services can also make a significant contribution in achieving the carbon reduction targets. In collaboration with TfW, a tool to measure carbon omissions for transport has been added to the Community Benefits Measurement Tool.

TfW are passionate about supporting Wales' ambitious emissions reductions and decarbonisation goals and have launched a [Low Carbon Impact Strategy](#) to help minimise the GHG emission's arising from the provision of their services.

TfW are also promoting the modal shift to more sustainable modes of transport by:

- Providing infrastructure to support the uptake of electric vehicles.
- Improving opportunities for active travel by improving access to stations and installing bike storage to encourage our passengers to cycle.

- Reducing rail emissions through vehicle and fuel efficiency measures and upgrading their existing rolling stock over the next 3 years which will also contribute to a reduction in emissions.

By electrifying the Core Valley Lines (CVL) TfW will be able to ensure that services along these routes consume no diesel fuel and achieve 100% of passenger miles under zero-carbon power. All their electricity is procured from renewable sources and their aim is to have 50% of this electricity generated here in Wales by 2025. As well as the above, TfW will be committed to installing the following at our stations photovoltaic (PV) panels and LED Lighting.

Agenda Item 4.1

Lesley Griffiths AC/AM
Gweinidog yr Amgylchedd, Ynni a Materion Gwledig
Minister for Environment, Energy and Rural Affairs



Llywodraeth Cymru
Welsh Government

Our ref MA/LG/5902/19

Mike Hedges AM
Chair
Climate Change, Environment & Rural Affairs Committee

2 January 2020

Dear Mike

I would like to thank you and the Climate Change, Environment and Rural Affairs Committee for its work and the report published on 14 November 2019 entitled 'The Welsh Government's progress on Marine Protected Area Management'. I welcome your interest in this area and acknowledge the recommendations and conclusions of the report, responses have been provided to your 15 recommendations in the attached document.

Regards

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Written Response by the Welsh Government to the report of the Climate Change, Environment and Rural Affairs Committee entitled Report on the Welsh Government's progress on MPA management.

I welcome receiving the Committee's report in the same week that I published the first Welsh National Marine Plan. The Welsh coast and the seas around Wales are an incredible natural asset, contributing to our wellbeing, as well as millions to the economy of Wales. I fully recognise the importance of having a healthy, productive, biologically diverse and resilient marine ecosystems – a network of Marine Protected Areas (MPAs) plays a key role in achieving this. Our Welsh National Marine Plan sets out for the first time our long term vision for the sustainable use of our seas. The Plan reinforces our existing policies to effectively manage an ecologically coherent network of MPAs.

I am committed to engaging and working with external partners and stakeholders to develop and deliver marine biodiversity and conservation, including MPA management. Since the Committee's initial report in August 2017, "Turning the tide? Report of the inquiry into the Welsh Government's approach to Marine Protected Areas", I have strengthened the network by providing additional site protection for highly mobile species (harbour porpoise and seabirds), and for unique seabed structures in the Welsh offshore region.

We, along with other members of the MPA Management Steering Group, have progressed the development of the MPA Network Management Framework 2018-2023 and annual Action Plan. As a Steering Group, we continue to collectively consider how management activity can be prioritised and targeted so as to best support improving the overall condition of the network through effective management. This requires us to focus our efforts on addressing those pressures that will have the greatest impact on feature condition and, therefore, improving the contribution the network makes to the overall health, resilience and functioning of Welsh seas.

As the Committee has recognised, the management of the 139 MPAs we have in Wales involves a wide range of organisations and takes many forms, from at sea enforcement by my Marine Enforcement Officers, through to evidence gathering and monitoring. As I have conveyed in my previous evidence to the 2017 inquiry, a considerable amount of MPA management activity such as regulatory consenting and assessment processes like marine licensing, whilst not always visible "on site" to the public, provides upfront vital protection to our marine environment. My priority is to ensure the sustainable management of our seas. I remain committed to completing the ecological coherence of the network and ensuring it is effectively managed.

I would like to thank the members of the Climate Change, Environment and Rural Affairs Committee for their report. I have set out below my response to the Committee's specific recommendations.

Recommendation 1

The Welsh Government should bring forward as a matter of urgency an ambitious strategy for MPAs. It should do so by summer 2020. The strategy should focus on the need to take both local and network-scale approaches and to deliver the conservation objectives of individual MPAs, where applicable. The framework and action plan should sit under the strategy. The strategy should be accompanied by an explanation of how the Welsh Government plans to fund MPA Management on an ongoing basis. The strategy should be subject to full consultation and should be refreshed periodically.

Response: Reject

I reject this recommendation.

In September 2018, the MPA Management Steering Group published the Marine Protected Area Network Management Framework for Wales. This document provides an overarching vision, objectives and management principles to guide MPA management until 2023, supported by annual Action Plans that include local and network-level actions. Our resources are focussed on delivery and improving our governance arrangements such as stakeholder engagement via the newly established WMAAG Sub-group on Marine Resilience, not writing a strategy.

Financial Implications – None.

Recommendation 2

The Welsh Government should discuss with the MPA Management Steering Group how it can receive input from a broader stakeholder base and additional MPA management authorities. This could include broadening the group out to include additional members or the creation of relevant sub-groups. The Welsh Government should report back to this Committee on the outcome of those discussions.

Response: Accept

I accept this recommendation.

I established the MPA Management Steering Group in June 2014 and consider it to have appropriate membership and representation from organisations with a statutory responsibility towards MPA management across Wales. However, I recognise that more can be done to increase broader input into the Steering Group and that is why my officials recently established the WMAAG Marine Resilience Sub-group to work together on aspects of marine biodiversity policy. The first meeting took place on 13 November 2019 and that included MPA management, specifically the development of the next annual MPA Network Action Plan.

Financial Implications – None. Any additional costs will be drawn from existing programme budgets.

Recommendation 3

The Welsh Government should explore whether duties for Welsh Ministers, similar to those placed on English Inshore Fisheries and Conservation Authorities under the Marine and Coastal Access Act (2009), should be introduced in Wales and should report back to the Committee on this matter.

Response: Accept

I accept this recommendation.

The Committee will be aware I consulted on Brexit and Our Seas over summer 2019, which I intend to report on shortly. Following this, we are committed to developing, with stakeholders, a future fisheries policy which will help us to achieve the fisheries objectives set out in the Welsh National Marine Plan. I have also committed to developing a Wales Fisheries Bill, the timing of which is dependent on the UK Bill. I will be happy to report back to the committee at the appropriate point.

Financial Implications – Any additional costs will be drawn from existing programme budgets.

Recommendation 4

The Welsh Government should develop proposals, in consultation with the MPA Management Steering Group, for an area-based approach that would see management authorities put in an amount of money to the pot which is proportionate to the protected area for which they have responsibility. The funding for this should be in addition to, rather than instead of, funding for actions in the Action Plan.

Response: Reject

I reject this recommendation.

The MPA Management Steering Group has already considered and rejected this approach. I have indicated previously to the Committee that I support the decision of the Steering Group.

The nature and the spatial scale of the MPA network in Welsh waters has changed significantly from when there were large spatially discrete sites, such as the five marine Special Areas of Conservation (SACs), to the current complex matrix of 139 offshore and inshore sites. There is a clear need to focus resources and management effort on managing the network as a network, by addressing pressures at appropriate scales, including some that are wider than Welsh waters.

The Steering Group is seeking to focus effort and target resources on work areas and projects that have the greatest potential to improve management and feature condition, thereby improving the contribution the network makes to the overall health, resilience and functioning of Welsh seas. The work done over the last couple of years linked to the MPA Network Management Framework and Action Plan

demonstrates that prioritised work can be completed, at various scales from site to network wide, focussed on areas of greatest concern.

I would like to emphasise to the Committee that whilst not visible “on site”, MPA Management Authorities are principally managing sites through the regulatory consenting and assessment processes. Activities are assessed, together with any mitigating measures, through a Habitats Regulations Assessment (HRA) to maintain the integrity of the MPA. Such processes, that also include Environmental Impact Assessments and marine licensing, provide upfront vital protection to the MPA network and constitutes a substantive area of work by my officials and Natural Resources Wales (NRW).

I recognise the work undertaken locally to support delivery of site-management. I am funding a number of priority actions under the MPA Network Management Action Plan 2019-2020 to support local site-activities that support the network.

Financial Implications – None. Any additional costs will be drawn from existing programme budgets.

Recommendation 5

The Welsh Government should consider how the Marine and Fisheries Division will, in discussion with the five Welsh Relevant Authority Groups (RAGs), develop a more integrated approach to working with RAGs.

Response: Accept

I accept this recommendation.

My officials will write to the Chairs of the marine SAC Relevant Authority Groups (RAGs) to request their participation on the WMAAG Marine Resilience Sub-group. This will enable the RAGs to engage with my officials on topics such as the MPA Network Management. Several members of the MPA Management Steering Group are members of a number of the RAGS, in addition to the European Marine Site Officer (EMSO) advisor on the Steering Group.

Financial Implications – None. Any additional costs will be drawn from existing programme budgets.

Recommendation 6

The Welsh Government should identify the specific number of staff in the Marine Conservation Branch of the Marine and Fisheries Division and report back to this Committee.

Response: Accept

I accept this recommendation.

Civil service staffing is a matter for the Permanent Secretary. I have asked the Permanent Secretary to write to you on this matter.

Financial Implications – None. Any additional costs will be drawn from existing programme budgets.

Recommendation 7

The Welsh Government must ensure that marine biodiversity and conservation are reflected in its forthcoming tourism strategy.

Response: Accept

I accept this recommendation.

The forthcoming Tourism Action Plan, based on the Deputy Minister for Culture, Sport and Tourism's Priorities for the Visitor Economy for 2020-25, will grow tourism for the good of Wales by delivering Economic Growth that delivers benefits for people and places including environmental sustainability, social and cultural enrichment and health benefits.

The Action Plan clearly sets out the importance of sustaining natural resources and explains that "Our core offer is based on outstanding landscapes cared for by everyone – accessible, protected natural landscapes including our marine environment. Many of the organisations in Wales who care for our natural resources – such as NRW, our National Parks, wildlife and marine conservation organisations, and even organisations such as Welsh Water – are increasingly providing high quality experiences for visitors. Their tourism offer enables more people to enjoy our wonderful natural resources, but also helps to make those organisations more sustainable. We will continue to work with natural heritage, marine and countryside organisations helping them to develop their visitor offer.

Visit Wales will also continue to invest in specialist growth markets such as Cruise and Marine Tourism, evaluating the economic versus environmental impact of this programme to ensure a sustainable approach that, carefully managed, delivers broad well-being benefits."

The Action plan is due to be launched at the end of January 2020. Officials in tourism will continue to work closely with my officials in Marine and Fisheries to take the plan forward.

Financial Implications – None. Any additional costs will be drawn from existing programme budgets.

Recommendation 8

The Welsh Government should write to marine wildlife tourism sector representatives to invite them onto the WMAAG (Wales Marine Action and Advisory Group) and

should provide an update on the progress of the establishment of a Biodiversity sub-group of the WMAAG.

Response: Accept

I accept this recommendation.

I agree that engaging with the marine wildlife tourism sector is important in supporting marine conservation initiatives. The purpose of WMAAG is for members to present and feedback viewpoints from the sector they represent. We currently have representation on WMAAG from tourism sectors such as Visit Wales, Pembrokeshire Coastal Forum, Pembrokeshire Coast National Park Authority, and National Trust, and some of our members are directly involved with marine tourism such as boat trips. We are not aware of any organisation representing the marine tourism sector, therefore, we will take the Committee's recommendation to the next WMAAG meeting for members to suggest a suitable representative for the sector and extend an invitation.

As stated in response to Recommendation 2 above, the Marine Resilience Sub-group of WMAAG focussing on marine biodiversity issues has already been established and met for the first time 13 November 2019.

Financial Implications - None. Any additional costs will be drawn from existing programme budgets.

Recommendation 9

The Welsh Government should explain why management has not yet been implemented as a result of the AWFA assessments for high-risk activities, which were published in 2017. It should bring forward a consultation on management options for those activities as a matter of urgency. The Welsh Government should agree a timetable with NRW for the completion of the remaining assessments, but this should be no later than January 2021. The Welsh Government should assess the level of resources that will be needed by NRW to complete this work.

Response: Accept

I accept this recommendation.

During 2019 my officials worked with fishers, Bangor University, NRW and others to conduct surveys to establish the condition and extent of sensitive marine habitat features. The results will be used to inform the management proposals for high-risk mobile gear fishing activities. These proposals will form part of a public consultation which, depending on the impact of Brexit-related work, should begin in early 2020. I would like to convey to the Committee that I am committed to protecting designated features, in line with the EU Birds and Habitats Directives.

My officials are working closely with NRW on the delivery of the Assessing Welsh Fishing Activities (AWFA) project. The Welsh Government funds a project officer post within NRW who carries out evidence-based assessments for the project. The 40 highest risk habitat/gear interactions have been completed and published on NRW's website. There are 516 assessments in total, with 476 left to publish, comprising 347 medium risk and 129 low risk interactions. The remaining assessments are being progressed by NRW in batches with similar priority, features and gear types. NRW is currently working on the medium risk assessments (marine mammals and potting activity). There has been progress with drafting a number of these complex medium and low risk assessments, but they have yet to be quality assured/peer reviewed and published. It would be extremely challenging to meet the timeline suggested by the Committee whilst maintaining evidence standards and quality assurance. NRW will continue to deliver the assessments using a risk based approach, aiming to complete all assessments as quickly as practically possible, without risking the scientific integrity of the outputs.

I am keeping resourcing of my portfolio under review, and do so in conjunction with my regular discussions with the Chair and Chief Executive of NRW.

Financial Implications – None. Any additional costs will be drawn from existing programme budgets.

Recommendation 10

The Welsh Government should explore the desirability of making the production of site-level feature condition reports and the collection of relevant monitoring information a statutory requirement.

Response: Accept

I accept this recommendation.

Site level monitoring data and reports are critical to understanding the condition of MPAs in Wales, informing the evidence base and supporting effective management. NRW is reviewing the approach to site monitoring to enable timely MPA site condition assessments.

There already exists legal drivers for site level condition assessments in Wales, and as such I do not need to introduce legislation. These include European Union Habitats Directive Article 17 reporting by the UK Government to the European Commission, Section 124 reporting on the MPA network by the Welsh Ministers to the National Assembly for Wales under Marine and Coastal Access Act 2009, and feature level reporting by UK Government to the OSPAR Commission. Whilst these do not state specific statutory requirements, it should be recognised that they drive site level condition assessment as this is a key way to achieve the overall reporting outcomes required. OSPAR management effectiveness reporting, for example, specifically requires information on monitoring and condition at the site level. There is a new duty in the Conservation of Habitats and Species (Amendment) (EU Exit) Regulations 2019, Regulation 6a which calls for the publication for a report on the

implementation of the measures for the conservation of the natural habitat types listed in Annex I to the Habitats Directive and species listed in Annex II to that Directive. This report must be published every six years from exit day.

Financial Implications – None. Any additional costs will be drawn from existing programme budgets.

Recommendation 11

The Welsh Government should ensure that MPA evidence gaps are addressed through the implementation of the Marine Evidence and Fisheries Evidence Plans.

Response: Accept

I accept this recommendation.

The Welsh Marine Evidence Strategy as a high-level strategic framework document is guiding Action Planning by Welsh Government and NRW. Evidence Actions Plans associated with the Strategy, in conjunction with other projects, such as the development of a prioritised and affordable marine biodiversity monitoring programme, will improve the evidence base to support MPAs, in both better understanding the key pressures and in informing management decisions.

Financial Implications – None. Any additional costs will be drawn from existing programme budgets.

Recommendation 12

The Welsh Government should report back on the progress of the work of the Task and Finish Group established to identify potential MCZs. The Welsh Government should ask the Task and Finish Group to bring forward proposals for consultation as soon as possible, but no later than February 2020.

Response: Accept

I accept this recommendation.

The Welsh Government, along with NRW and Joint Nature Conservation Committee (JNCC) has a Welsh MPA Network Completion Project and Project Team of officials. The Project Team has undertaken a considerable amount of preparatory work both prior to the first Task and Finish Group meeting and after, including developing the methodology that was presented to stakeholders, preparing various supporting documents and assembling and updating the associated data layers which will underpin the identification and designation of any future MCZs.

The Project Team established a MCZ Task and Finish Group (TFG) to work with stakeholders to inform the identification of potential MCZs in Welsh waters. The first TFG has taken place, and a proposed stepped process for identifying MCZs was proposed. Stakeholders provided feedback and there was general support for the stepped approach. I recognise that in light of the need to prioritise EU exit work, this

work has progressed slower than anticipated. We will re-invigorate this work at a greater pace in 2020, however, the suggestion of a consultation in February 2020 is not possible.

I am mindful of the need to ensure that the stepped process taken by the Project Team with the TFG is sufficiently resourced, and that stakeholders and the public are properly engaged and consulted to ensure support. Timeframes for the project will reflect the legal requirement under Section 119(10) of the Marine and Coastal Access Act, 2009, concerning consulting before designating. The Welsh Ministers must make a designation order by 12 months from the start of the public consultation, if not, the process leading up to the consultation becomes void.

Financial Implications – None. Any additional costs will be drawn from existing programme budgets.

Recommendation 13

The Welsh Government should ask the Task and Finish Group to consider, as part of its work, the need for highly-protected MCZ designations. This consideration should be informed by extensive consultation with interested parties, such as fishers.

Response: Reject

I reject this recommendation.

The committee will be aware that in 2012, the Welsh Government publically consulted on the potential introduction of highly protected MCZs (hpMCZs). The consultation process proved contentious and the Welsh Minister responsible at the time established a Task and Finish Team to review the matter. The report made a series of recommendations, including the need to assess the contribution made by the existing (at that time) MPA network against the agreed UK ecological coherent network principles. JNCC and NRW carried out this report, culminating in the 2016 Welsh MPA network assessment. In 2013, the Welsh Government formally withdrew its hpMCZ proposals. The current MPA network completion project and work with the MCZ Task and Finish Group (TFG) is taking forward the findings of the 2016 assessment to identify new MCZs to fill gaps in ecological coherence. As has been communicated to the TFG, the approach being taken is not to pre-determine the level of protection that will be afforded to MCZs. Protection and management will be informed by the requirements of the features, sensitivity to activities and what will be required to either maintain or achieve favourable condition

Financial Implications – None.

Recommendation 14

The Welsh Government should ask the Task and Finish Group to develop a plan for designating MCZs for mobile species.

Response: Accept

I accept this recommendation.

I remain committed to considering the need for MCZs for mobile species as part of the Wales MPA Network Completion project. The issue was discussed at the first Task and Finish Group and conversations on how to take this forward will continue at future Task and Finish Group meetings.

Financial Implications – None. Any additional costs will be drawn from existing programme budgets.

Recommendation 15

The Welsh Government should undertake or commission an assessment of the impact on MPA management of leaving the EU, including a potential loss of access to EU research, institutions and funding. In so doing, it should explain how it will mitigate any such impact.

Response: Accept

I accept this recommendation.

The Committee will be aware that I have responded to its report 'Environmental governance arrangements and environmental principles post-Brexit'. I am committed to continue to meet the same aims and objectives as set out in the Nature Directives following EU exit. We are creating a UK-wide network of protected sites to substitute for the EU's Natura 2000 network with the same aims and objectives. We will continue to manage and adapt this network in close cooperation with the rest of the UK. In addition, the UK is a contracting Party to the Bern Convention on the Conservation of European Wildlife and Natural Habitats, and the OSPAR Convention for the Protection of the Marine Environment of the North-East Atlantic.

The First Minister published "Preparing for a No Deal Brexit" 16 September 2019. This has extensively assessed the impacts of leaving the European Union. The Welsh Government is pressing the UK Government to secure continued participation and ensure continued full participation in schemes such as Horizon 2020 and for UK Government replacement funds for schemes which are closed to third countries.

My officials are currently working on a successor scheme to the EMFF. I will provide the Committee with an update once proposals are fully formed.

Financial Implications – None for the assessment aspect of this recommendation, the costs of which will be drawn from existing programme budgets. It is the Welsh Government's view that Wales should not lose a single penny because of Brexit. This was the promise made during the referendum and we will hold the UK Government to account for this.



David Rees AM
Chair of the External Affairs and Legislation Committee
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7 January 2020

Dear David

I am writing in response to your letter of 4 December regarding the External Affairs and Additional Legislation Committee's follow up work on Brexit preparedness. I welcome the work the Committee has undertaken in this area, and the following information sets out the Welsh Government's work to date in relation to the Committee's views and conclusions outlined below.

With the progress of the Withdrawal Agreement Bill in Parliament, it seems clear that there will not be a no deal exit at the end of this month. However, the issues you raise still remain very pertinent, not least in the context of the possibility of exiting the Transition period without a trade deal concluded.

Ports and transport

"Our previous work found that there was a risk of cargo and freight bypassing Welsh ports via an open Irish land border combined with frictionless transit from Northern Ireland to Scotland or England. Our understanding, and that of the sector, is that the revised Withdrawal Agreement, may reduce this risk".

"Of more pressing concern is the assessment of the potential impact of the revised Withdrawal Agreement on Wales' major Ro-Ro ports – particularly the port of Holyhead. The Chancellor of the Duchy of Lancaster, Michael Gove, told us that no impact assessment had been made and that it was 'difficult' to have an impact assessment with 'so many variables in play'"

- 1. "We recommend that the Welsh Government outlines the ways in which it is pressing the UK Government to conduct a full impact assessment of the revised Withdrawal Agreement on Welsh ports".**

Response: Accept

Financial implications: None from updating the Committee.

As you set out in your letter, the UK Government has not conducted a full economic impact assessment of any kind on their proposed Withdrawal Agreement, and UK Government officials were not prepared to engage on the policy questions raised by their proposal during the recent pre-election period for the General Election.

One key question that has a fundamental bearing on Welsh ports is related to the interaction between the land border between the Republic of Ireland and Northern Ireland, and the 'Irish Sea border' the Protocol on Ireland/Northern Ireland would impose. Whilst UK Ministers were unable to answer questions about whether there would be checks on ferry crossings from Northern Ireland to Great Britain in the final scrutiny sessions of the last Parliament, they continue to insist both that there will be no hard border on the island of Ireland and that there will be no checks on goods crossing from Northern Ireland to Great Britain by ferry. In light of the above and pending the Joint Committee's view on how to manage the Protocol, it would not be reasonable for checks to be imposed on goods travelling from the Republic of Ireland to Wales.

In terms of traffic travelling from the UK to the Republic of Ireland, the election claims of the Prime Minister that no checks will be necessary are simply incompatible with the legal text of the Withdrawal Agreement. However, here too, it would seem logical given the free circulation of goods on the island of Ireland, that the sort of controls and checks needed will be the same for goods travelling from GB to the Republic as they are for goods travelling from GB to Northern Ireland.

We have commissioned a small study from the Trade Policy Observatory at the University of Sussex to help us better understand the implications for Wales. Their independent report will be published in January. Officials within the Welsh Government continue to review the evidence we have available to help us understand the traffic and trade flows through Welsh ports, and to make sure the UK Government understands the impacts its decisions will have in Wales.

The Welsh Government will continue to take every opportunity, at Ministerial and official level, to press the UK Government for clarity on their proposals and in particular, to assess the impact on Welsh ports. We anticipate that an early meeting of the JMC (EN) will provide an opportunity to raise this again.

We would also hope that the Committee could press UK Ministers on this point, in the context of the legislative consent process for the Withdrawal Agreement Bill.

"In terms of new infrastructure at Welsh ports, we heard that clarity is needed as soon as possible on the need for new infrastructure arising as a result of the revised Withdrawal Agreement on Welsh ports".

- 2. "We recommend that the Welsh Government update us on preparations for new infrastructure at Welsh ports (to accommodate potential customs and other checks), including details of the financing of such infrastructure".**

Response: Accept

Financial implications: None from updating the Committee. We expect UK Government to meet the need for any new border infrastructure that would arise as a result of their decisions in respect of changes to border policy.

It is not yet clear how the UK Government and the Joint Committee will propose to manage the UK's border with Ireland under the Protocol. Whether there will be a need for new infrastructure at Welsh ports, and the nature of that infrastructure, will depend greatly on this, and also on the outcome of trade negotiations with the EU. Until we have this information, we are unable to make assumptions about where any such infrastructure would need to be located.

Since borders, immigration and customs are the responsibility of the UK Government however, the Welsh Government would expect them to work constructively with Welsh port authorities, and with the Welsh Government, to ensure appropriate border infrastructure is in place to facilitate the smooth flow of traffic to and from the ports, and that appropriate funding is invested to deliver modern, fit-for-purpose border infrastructure.

“We note that the creation of new Free Ports is a stated objective of the current Secretary of State for International Trade. We are clear that the Welsh Government must ensure that it has a developed, evidence-based view of the advantages and disadvantage of creating new Free Ports in Wales and the impact that the creation of Free Ports elsewhere in the UK may have on Wales”.

3. “We recommend that the Welsh Government commissions further research on the potential advantages and disadvantages of Free Ports for Wales and the impact that the creation of Free Ports elsewhere in the UK may have on the Welsh economy, in order to inform how it engages with the UK’s work in this area, and shares this work with the Committee on completion”

Response: Accept

Financial Implications: None at present. Any additional costs will be assessed as UK Government direction is clarified.

The question of free ports is separate from Brexit preparedness, but the incoming UK Government appear firmly committed to the concept.

This is a tool that, to some extent, the UK Government has had at its disposal within the EU but has chosen not to employ. However, we should be clear that free ports are not normally just a customs tool. Free ports models usually bring together a variety of regulatory levers including planning, environmental and employment regulation and therefore any proposals to approve a free port in Wales could have significant implications on a wide range of issues within devolved competence. Similarly any proposals to approve free ports in England could have an impact on Welsh competitiveness and attractiveness as a location for investment.

The Welsh Government is clear that while it is not opposed to free ports as a matter of principle, they must not be used as a back door to undermining social, environmental and employment standards. Free ports, if implemented, must be used to facilitate genuine, additional growth and development rather than simply displacing jobs and employment to new locations with lower regulatory standards outside our customs boundaries.

There are a number of free port models across the world which use these levers in different ways and combinations and differ fundamentally in their objectives and implementation. Until now, there has been very little information on the policy design and direction from the UK Government, and given the breadth of possible scenarios, until this clarity is provided, we are unable to fully assess the advantages and disadvantages of free ports in general.

The Welsh Government is happy to accept the recommendation on the basis that, as a substantive policy direction begins to emerge from the UK Government we will continue to develop our evidence base, engage stakeholders and seek the best available information to underpin our engagement with the UK Government on this agenda. However, we know that free ports would require some level of devolved interaction, and the UK Government must significantly develop and share its own evidence base, and treat us as an equal partner in designing the policy and objectives in order for us to develop the best possible fit for Wales.

4. “We ask that the Welsh Government update us on any engagement it has had with the Free Ports Advisory Panel, and for its view on whether the panel is giving adequate consideration to Welsh ports.”

Response: Accept

Financial Implications: None from updating the Committee.

The Free Ports Advisory Panel has not engaged with the Welsh Government, or any other Devolved Government in the UK. We have made clear that this panel should have no role in assessing and awarding free port status based on bids from port authorities. More widely, this bidding approach raises concerns about whether wider social, economic and environmental objectives will be appropriately considered, and ultimately the capability of using the bids from ports to drive a strategic approach to the designation of free ports.

It remains vital that the UK Government engages meaningfully with us to ensure that if a free port model is developed, it is one which works for Wales. Indeed, given their reliance on regulation within devolved competence and clear impact on regional economic development, free ports can only properly be delivered in collaboration between the Welsh and UK Governments. We will continue to press UK Government to recognise that the Welsh Government absolutely must have a clear decision-making role in assessing which areas within Wales should become eligible for free port status.

Food and Farming

“We welcome the efforts to open new markets for the red meat sector, and recommended in our December 2018 report on the preparedness of the food and drinks sector in Wales that the Welsh Government’s new strategy for the food and drinks sector in Wales (expected in 2020) set out ‘clear and ambitious targets’ for increasing Wales’ access to new markets for the export of food and drink products”.

5. “We would welcome an update on the Welsh Government’s work in this area including the anticipated timescales for publication of the new food and drinks strategy”.

Response: Accept

Financial Implications: None from updating the Committee.

In July 2019, the Welsh Government published, in partnership with the Food and Drink Wales Industry Board, a consultation into proposals regarding the future direction and development of the food and drink industry in Wales. Our proposals were informed by extensive prior engagement with businesses and stakeholders. The proposals had the strategic aims to grow our businesses' scale, value, and productivity, to benefit our people and society, and to create and communicate a global reputation for Wales as a 'Food Nation'. The proposals were firmly rooted in Prosperity for All, the Well-Being of Future Generations Act (2015), and food being part of the foundational economy.

Responses were received from nearly 90 organisations and individuals, comprising a broad range of consultees with the majority from businesses and trade organisations. There was strong support for the proposals and the vision and mission we had proposed. The Welsh Government will be making a report summarising the responses received available on the Food and Drink Wales website shortly. We are now considering how to use this constructive feedback as we develop the strategic plan proposals further for publication in 2020.

"We note the significant concerns expressed to us by representatives of the farming industry particularly in relation to the impact of continued uncertainty; the lack of Wales-specific legislation; and more generally the development of future policy in this areas, after Brexit."

- 6. "We intend to draw these to the attention of the Climate Change, Environment and Rural Affairs Committee and hope that they will give them active consideration as part of their ongoing scrutiny of the Welsh Government and its policy work in this area"**

We welcome the Committee's ongoing interest in this area. A considerable amount of preparedness work relating to the farming industry has been undertaken by the Welsh Government. This has included working collaboratively with the industry, UK Government and other Devolved Administrations to assess the scale of the impact across all our agricultural sectors. The Welsh Government has also worked closely with Defra and Devolved Administrations to make the case for funding from HM Treasury to support the red meat sector in the event of a no deal exit. We have also worked closely with stakeholders in Wales to discuss the issues facing the red meat sector, share thinking and seek feedback on proposals.

In relation to Wales-specific legislation, we intend to bring forward a White Paper before the end of this Assembly term, setting out the context for the development of agriculture and forestry within Wales for the next 15 to 20 years. The White paper will lay the ground for the Agriculture (Wales) Bill which we intend to introduce as soon as practicable.

Regarding the development of future policy in this area, earlier this year, we published our consultation document, *Sustainable Farming and Our Land*, where we explained our proposals for a new sustainable land management scheme and sought views on how we intend to support farmers after the UK leaves the European Union. The main consultation closed on 30 October. We received over 500 substantive responses and 3000 campaign responses. We are currently considering all the responses received and will publish a summary of responses in due course.

Transition period and the risk of 'no deal'.

“We recognise the risks of ‘no deal’ at the end of the transition period as highlighted by stakeholders and continue to have deeply held concerns about such an outcome and its damaging implications for Wales”

- 7. “We recommend that the Welsh Government set out how it intends to ensure that the [agriculture] sector is sufficiently supported in the event of ‘no deal’ at the end of the transition period (i.e. ending the transition period without a free trade agreement in place) and to outline what lessons it has learned from preparations to the three previous Article 50 deadlines”.**

Response: Accept

Financial Implications: None from updating the Committee. There could be significant cost implications for supporting the agriculture sector in the event of leaving transition arrangements without a trade deal at the end of December 2020.

As referred to above and in your letter, the threat of leaving the transition arrangements without a trade deal at the end of December 2020 remains a real one, particularly given the UK Government’s unnecessary commitment not to seek an extension to the transition period that would allow for a future relationship that protects the interests of Wales and the UK as a whole. The Welsh Government will continue to prepare responsibly and appropriately for the future relationship with the EU.

In relation to the preparedness of the agriculture sector (referred to specifically in your letter), the Welsh Government will continue to engage closely with stakeholders to discuss the specific issues facing the industry, share our emerging thinking and seek feedback on proposals. In addition, the UK Agricultural Market Monitoring Group (UKAMMG) has been established under an arrangement between the UK Government and the other Devolved Administrations in order to coordinate analysis of market information from government, industry and other sources. The UKAMMG will monitor developments in the main agricultural industry and consider responses to adverse market developments and provide recommendations if any interventions are required. This will include assessing the impact of a “no trade deal” scenario at the end of the transition period, and the impact of WTO tariffs on the agricultural sectors.

In terms of lessons learned from preparations ahead of the three Article 50 deadlines, agriculture officials have worked hard to build relationships with Defra and other Devolved Administrations officials to strengthen communication and enable the collaborative working required to make a joint case for funding from HM Treasury to support the red meat sector in the event of exiting the transition period without a trade deal, with all the implications for tariff and non-tariff barriers that that would have.

More broadly, a key point we took from our experiences in preparing for the exit dates in the Spring and Autumn is the importance of the UK Government engaging meaningfully with us, which includes sharing information, and recognising the issues of critical importance to Wales.

The Welsh Government consistently said that a no deal Brexit would be a catastrophic outcome for Wales, and would have significant and far reaching implications. Exiting the transition period without a trade deal would have different, but nevertheless hugely damaging implications for Wales. Despite our clear opposition to such an outcome, the Welsh Government will continue to prepare for all possible future relationships with the EU. As recognised by the Auditor General for Wales in his September update to the Committee, our Brexit planning work constitutes “the most comprehensive example of cross-government working” the Wales Audit Office has seen the Welsh Government undertaken to date.

I hope the Committee finds this update on our preparedness work helpful, and I look forward to discussing these issues with you at a future meeting.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Jeremy Miles', with a stylized, cursive flourish at the end.

Jeremy Miles AM

Y Cwnsler Cyffredinol a Gweinidog Brexit
Counsel General and Brexit Minister

Agenda Item 4.3



Mike Hedges AM

Chair

Climate Change, Environment and Rural Affairs Committee

The National Assembly for Wales

Pierhead Street

Cardiff

7 January, 2020

Dear Mike,

I write to you with regard the recently published report from the national Assembly's Climate Change, Environment and Rural Affairs Committee on the draft National Development Framework

The Chartered Institute of Housing is concerned that in the Housing section - P.24 onwards – the committee has focussed on HBF/FMB/Savills assertion that the NDF has too big a focus on Social/Affordable Housing in which they state that the NDF “doesn't recognise” the contribution that private developers make to the building of affordable housing and that this emphasis on Social/affordable housing could affect overall supply.

I gave evidence challenging that perspective, i.e. we're in the midst of a housing crisis and we need to rebalance tenure and build more social, let alone affordable, housing and that our belief is that the NDF takes us in the right direction on that issue. The report should identify that the view outlined in the housing section is not universally held. A simple paragraph stating that the Chartered Institute of Housing Cymru holds a opposing view, and that it welcomed the emphasis on social/affordable housing supply in order to rebalance tenure in a bid to tackle the ongoing housing crisis, would better reflect the evidence given.

I understand that the report has been published and that amendment is unlikely but I would like to take this opportunity to put on record, with the committee, that the report appears to place an over-emphasis on the views of the private developers.

Whilst CIH Cymru agrees that private developers are a central part of the solution in terms of developing the number of homes needed to end the housing crisis, some housing academics and commentators argue that land banking and slow build-out on the part of volume housebuilders is a key contributory factor in keeping land prices, and therefore house prices, artificially high – with those high land prices making it more difficult to scale up the building of social and affordable homes. Moreover, it could therefore be argued that volume housebuilders have a vested interest in seeing the tenure imbalance remain in place, in order to keep the market at its current level.

Here's a link to the evidence session

<https://record.assembly.wales/Committee/5703> but below highlighted extracts from the evidence I gave where I directly challenge the view expressed by the organisations representing private developers.

Furthermore, cross-subsidy has been/and is clearly important in terms of the delivery of social/affordable housing but it hasn't been a completely positive story or delivered the number of homes we need. And more recently, we have seen many media reports highlighting the fact that a lot of S.106 agreements haven't been delivered – the main mechanism through which cross-subsidised social housing is delivered.

The report perhaps places too much emphasis on the contribution that cross-subsidy has made in terms of the delivery of social and affordable homes in Wales.

10. "So, whilst the ambition is there around social housing and affordable housing, recognising that there needs to be a change in the balance on tenure, which is welcome, perhaps the numbers need to be more."

10.14.12

56. I'd start by saying there's a dire need for social housing stock, let alone affordable housing stock, across Wales, and I highlighted some of the figures around homelessness, et cetera, that we're experiencing at the moment. So the crisis is acute. So, we welcome the broad ambition of the higher percentage in terms of affordable housing set out within the NDF.56

57. I referred to Holmans and the statistical analysis—I mean, that's more for statistical experts to talk to you about—but in terms of the mix and the lack of help that private house builders have been given, £11.7 billion has been spent on Help to Buy across the UK, which, arguably, is pretty much a direct subsidy to the big house builders. It's seen them get record profits since Help to Buy was introduced. And I predicate what I'm saying now by saying they're a fundamental partner in this; they have to be. We cannot deliver those numbers without the private sector developers being on board, so I predicate that. But to say that they don't get any help, I think, is a bit misleading. The caveat of getting that investment through Help to Buy was section 106, delivering affordable housing particularly, but also wider community developments. And again, I predicate what I'm going to say by saying that this is not endemic; there's a lot of good examples, but we've seen recent examples in the media where those section 106 agreements have been reneged on, and we haven't had affordable units being delivered. So, that public subsidy is going in, but we're not perhaps getting the outcomes in terms of the social and affordable housing supply that we would expect from that.57

58. So, we do need to redress the tenure balance. Clearly, there is a need for more social and affordable housing stock. I would just say that the unintended consequences of doing this, which is what we're trying to work through in terms of the implementation of the Pamment review at the moment, is that private developers may be saying that this is not viable, particularly in terms of the 50 per cent requirement on public land, in terms of the green carbon-neutral requirements, in terms of the development quality requirements and standards that we want to push across tenures, so that everyone has an equal

housing experience. Those are things that we should be doing, but there are possibly unintended consequences to that which we have to work through

Yours sincerely,

A handwritten signature in black ink, appearing to read 'M. Dicks', written in a cursive style.

Matt Dicks

National Director, CIH Cymru