

Scrutiny of the Welsh Government Draft Budget 2020-21

January 2020

Our approach

- 1.** We took oral evidence from the Minister for Environment, Energy and Rural Affairs, Lesley Griffiths AM. We also heard from Ken Skates AM, the Minister for Economy and Transport and Lee Waters AM, the Deputy Minister. Written submissions were provided to the Committee in advance.¹
- 2.** Part 1 of this report sets out the Committee's scrutiny of the draft budget as it relates to the portfolio of the Minister for Environment, Energy and Rural Affairs.
- 3.** Part 2 of the report focuses on scrutiny of the Minister and Deputy Minister for Economy and Transport. Other matters that were considered during the session, but which do not relate to the draft budget, will be addressed in correspondence with the Minister.

¹ Transcripts of the meeting and relevant written submissions are available on the Committee's website - <http://senedd.assembly.wales/ieListDocuments.aspx?CId=444&MId=5930&Ver=4>



Part 1 – Scrutiny of the Minister for Environment, Energy and Rural Affairs.

1. General conclusions

4. Total spend for the Environment, Energy and Rural Affairs Main Expenditure Group (MEG) increases from £300.8m in the June 2019 Supplementary Budget to £350.2m in the 2020-21 draft budget. This is an increase in cash terms of 16.4% (£49.3m) and 14.3% (£43m) in real terms.

5. The Minister confirmed that her portfolio had received a “0.7 per cent increase” and “probably over a 50 per cent increase in my capital budget”. The Minister said she believed:

“that's where you would want the funding to be, really. If you look across my portfolio, it's the capital area of the budget that you would want it to be in.”

6. The Minister went on to say that the draft budget:

"builds on the commitment of both the First Minister and the Finance Minister, who said we must maximise the use of all our budgetary levers to support a greener Wales."

7. Biodiversity and decarbonisation are two of eight priority areas, set out in Prosperity for All, that have been central to the Welsh Government's development of its draft budget.

Climate emergency

8. The Minister's written submission explained the Welsh Government's approach to the draft budget:

“Most spending decisions will influence a whole range of outcomes and based on our previous experiences ... 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, rather than representing the entirety of the Welsh Government's spend on climate change mitigation.”

9. In June 2019, the Future Generations Commissioner published a 10 Point Plan to Fund Wales' Climate Emergency. The plan suggested that responding to the climate emergency will require a much greater level of focused attention and a total investment in decarbonisation in the 2020-21 budget of £991m.

10. The Minister said she welcomed the input from the Future Generations Commissioner. However, in commenting on the total level of investment, she went on to say:

"You've got to be pragmatic, haven't you? We just don't have those levels of funding. We've had a decade of austerity. As I say, I've had an increase in both revenue and capital, but the capital one, in particular, is very significant."

11. The Minister said that one of the purposes for the declaration of a climate emergency was to galvanise action from other parts of the public sector and individuals. She emphasised that action will continue to be required across all parts of society and explained:

"our most powerful initiatives are not necessarily those 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."

Our view

This is the first budget since the Welsh Government declared a climate emergency. When we undertook our annual climate change scrutiny, the Minister told us that the 2020-21 Budget would provide an opportunity for the Welsh Government to back its declaration of a climate emergency with action and associated funding.

On this basis, we expected a transformative and radical budget. We have not seen evidence of this. We are disappointed to conclude that this draft budget constitutes "business as usual".

Our Annual Report on Climate Change² recommended that:

² <https://www.assembly.wales/laid%20documents/cr-ld12934/cr-ld12934%20-e.pdf>

“The Welsh Government’s draft Budget should explain and demonstrate clearly how funding allocations will support the decarbonisation priority.”

It is unclear from the draft budget how the Welsh Government has prioritised investment in the light of its declaration of a climate emergency. It is also unclear how specific allocations will impact on decarbonisation.

We note the Future Generations’ Commissioner’s comments that the Welsh Government’s approach means it “cannot tell us whether the way in which it is spending money is leading to an increase or decrease in carbon emissions.” We concur.

Our Annual Report on Climate Change also recommended that:

“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 Commissioner has recommended that the Welsh Government should undertake an analysis of its expenditure in terms of carbon impact and should also publish details of the overall carbon impact of its budget. We agree and will expect to see this information when the 2021-22 draft budget is brought forward.

Recommendation 1. In future, the Welsh Government’s draft budget should be accompanied by a comprehensive assessment of its overall carbon impact. To inform this assessment, the Welsh Governments should undertake an analysis of the carbon impact of its budget decisions.

Environmental Growth Plan

12. £137m “general capital” is allocated across the Welsh Government in 2020-21 and £5m capital allocated to the Minister’s portfolio from reserves specifically for “environmental growth” (BEL 2825). The £5m will be aimed at projects that can be seen “from the doorstep” and could include a “local places for nature fund”.

13. The Environmental Growth Plan was originally a commitment in the First Ministers’ leadership manifesto. In oral evidence, the Minister described it as “an overarching narrative for action across Welsh Government for a greener Wales.” The Minister said she expected the first Plan to be published in October or November 2020. An official accompanying the Minister explained that:

“The £137 million is basically an indication of the capital across Government that we will spend on environmental growth more generally, and the £5 million is specifically, as the Minister said, for the environmental growth plan and the work at a more local, community level.”

14. The Minister said she hoped to use the £5 million funding allocated to her portfolio in an innovative way “that will make a big difference to local communities”. She explained:

“If we want to acquire, restore and enhance nature, we have to start doing different things. We know that. I want it to be community-led activity. So, it's about looking at what we've got already and perhaps building on that.

It is going to be that kind of small scheme, but I think we have to be a more—well, a bit less risk-averse; that's probably the best way of saying it.”

Our view

The Committee recognises that the Environmental Growth Plan is in the early stages of development and there is consequently, a lack of clarity about how it will be implemented and operate in practice. Nevertheless, a considerable amount of funding has been allocated to a Plan that is not anticipated to be published until October or November 2020.

We would be grateful for further information from the Minister about the timescale for the development of the Plan. In particular, we would like to hear about any intention to consult on the proposals and when this will take place.

We would also like to know what outcomes the Plan is expected to deliver and how it is intended to complement other policy priorities, such as decarbonisation.

Recommendation 2. The Welsh Government should report back to this Committee within 3 months on the development of the Environmental Growth Plan, This should include a timetable for the implementation of the Plan; information about plans to consult on the proposals; and information on the objectives and outcomes the Plan is intended to deliver.

2. Decarbonisation

15. £140m of capital funding has been allocated across the Welsh Government to “support decarbonisation and to protect the environment”. Of the £140m, £95.6m is allocated specifically to decarbonisation measures. £62.4m of this is aimed directly at the transport sector. BEL 3770 (Decarbonisation and energy) increases revenue funding from £2.6m to £3.8m as a result of an additional allocation of £1.2m from reserves. There is no capital funding under this BEL.

16. The Minister confirmed that the “extra £96 million for decarbonisation measures is within a wider green investment packet of more than £140 million.” She added:

“What we're trying to do is make sure that decarbonisation is mainstreamed across Government. As soon as I came into this portfolio three years ago, we set up the decarbonisation ministerial task and finish group, which I chair, and I lead on. And every Minister has responsibility for this part of policy across Government, and it's business as normal, if you like—decarbonisation now.”

17. The Minister said that the overall capital budget allocated to her portfolio had increased by over 50%:

“I have received a significant amount of funding in relation to biodiversity and in relation to air quality, for instance. So, that obviously feeds into the decarbonisation element too.”

18. The Minister drew attention to £15m that had been allocated to create low carbon energy systems. She explained:

“I've also set aside some revenue funding in relation to my decarbonisation budget to increase activity on renewable energy and on energy planning. That started as the Energy Atlas...last year. That has now moved into energy planning to make sure that people know the best place to look for renewable energy.”

A 95% reduction in emissions by 2050

19. In May 2019 the UK Committee on Climate Change (UK CCC) recommended a net-zero target for the UK as a whole by 2050. It recommended that Wales should legislate for “at least a 95% reduction” by 2050, which would be a “fair contribution” to the UK target and would reflect Welsh circumstances. The

Minister has subsequently announced that the Welsh Government's ambition is to achieve net-zero by 2050.

20. Referring to the cost of reaching the 95% target, the Minister said the UK CCC had undertaken an "appraisal of the costs and the benefits of emissions reduction with the support of a dedicated expert advisory group." The UK CCC had estimated "that the cost of moving to a net-zero target for the UK—that would mean a 95 per cent target for Wales—was between 1 per cent to 2 per cent of gross domestic product." The Minister confirmed that she would reconsider how funding had been allocated if the UK CCC advised her to do so. However, this commitment was not related to this draft budget in particular.

Our view

As we have stated in previous reports, it is unclear how the Welsh Government is assessing the current spend on decarbonisation.

Further, the Welsh Government cannot say what funding will be necessary over the next 5 or 10 years to meet its interim targets. As we set out in our Annual Report on Climate Change, we appreciate it is difficult and of questionable value to project costs of policy interventions up to 2050. However, the short and medium-term costs are easier to predict. This information is necessary to facilitate effective scrutiny and to inform the Welsh public of the impact and associated costs and benefits of Welsh Government policies.

It is not acceptable for the Welsh Government to continue to plead ignorance about the cost and potential benefits of its decarbonisation policies in the short term – it is not possible for anyone, including the Welsh Government, to assess the value for money of these interventions without it.

Recommendation 3. The Welsh Government should publish an assessment of the financial implications, including costs and benefits, of the next iteration of its decarbonisation plan. This should be included alongside an assessment of the carbon impact of each policy or intervention.

Fuel poverty

21. £23m has been allocated to the Warm Homes Programme, which includes Nest and Arbed. The Minister's submission said that this investment could act as leverage for up to £24m of EU funding, in addition to funding from the UK Energy Company Obligation (ECO). In terms of resource funding, BEL 1270 (Fuel poverty programme) increases from £2.9m to £3.3m due to an allocation from reserves.

22. The Minister commented that the apparent reduction in funding in comparison to the supplementary budget was because:

“the programme was set back in 2017, so it's the way that it's committed over the four-year period. So, £104 million was committed over a four-year period. The £4 million reduction was set in 2017.”

23. The Minister said that the investment of £104 million since 2017 had meant that 25,000 homes had been given assistance to improve their energy efficiency. In response to a question about the failure to use the full funding allocated to the Arbed scheme in previous years, the Minister said:

“we've just had a new manager...because we clearly need to be making more advances in relation to this. So, this is currently being monitored very carefully, because we did have some concerns about the scale, if you like. I've had assurances this will be increased in the next financial year and, as I say, the funding is available.”

Our view

This Committee is currently undertaking an inquiry into fuel poverty and will report in due course.

The Welsh Government failed to achieve its target to eradicate fuel poverty by 2018. We had hoped and expected to see a renewed focus in this draft budget on tackling fuel poverty, particularly given that the Welsh Government will be publishing a new strategy shortly. We seek reassurance from the Welsh Government that sufficient funding has been allocated to deliver fuel poverty programmes at the scale required to address this issue.

We note the Minister's comments about the use of funding allocated to the Arbed scheme, which suggests that take-up will improve now that a new scheme manager is in place. The Committee would like further information about this change. In particular, the Committee would like the Minister to confirm whether she believes that past failures to use the allocated funds were primarily a result of scheme management failures.

The Committee notes the “Better Homes, Better Wales, Better World” report, which was commissioned by the Welsh Government and published in July 2019, made significant and ambitious recommendations about retrofitting homes. We note that these matters do not fall within this Minister's portfolio. However,

we would be grateful for further information from the Welsh Government about how the recommendations in that report will be taken forward.

Recommendation 4. The Minister should provide an update to this Committee about whether she believes the funding allocated to its warm home schemes, Nest and Arbed, are sufficient to address the fuel poverty problems in Wales.

Recommendation 5. The Minister should provide an update to this Committee on the circumstances that have led to a change of manager of the Arbed scheme. The Minister should explain why she believes this change will be sufficient to transform the operation of the Arbed scheme.

Recommendation 6. The Welsh Government should report back to this Committee on its timescales for taking forward the recommendations of the “Better Homes, Better Better Wales, Better World” report. This should include reference to any funding allocated in the draft budget for this purpose.

3. Brexit

24. The Minister highlighted that 74 Brexit projects were underway within her portfolio. These included contingency planning and establishing new regulatory and operational systems.

25. As a result of the withdrawal agreement being agreed, a transitional period has been triggered. If that period ends without agreement of a deal on the future relationship between the UK and EU, the UK will exit without a deal. The Minister described the UK Government’s apparent timescale for agreeing a deal as “hugely challenging”. She said the Welsh Government had already undertaken a considerable amount of work preparing for a “no-deal” Brexit.

26. The Minister said the Welsh Government had been clear in discussions with the UK Government that additional funding would be required in the event of a “no-deal” Brexit at the end of the transition period. This had been accepted by the previous UK Government. The Minister was not in a position to confirm whether the current UK Government accepted this view.

Our view

There continues to be a lack of clarity about arrangements after the UK leaves the EU and there are many issues that need to be resolved. Some of these are addressed later in this report.

We note the Minister's comments about future funding arrangements. Senior members of the current UK Government have promised on several occasions that Wales will be no worse off as a result of Brexit. We believe they should stick to their word.

Further, the UK Government must ensure that the Welsh Government has urgent access to additional funds to mitigate any negative effects in the event of a no-deal Brexit at the end of the transition period.

Recommendation 7. The Minister should keep this Committee updated about discussions with the UK Government about post-Brexit arrangements. This should include any discussions about funding to mitigate the impact of a no-deal Brexit.

4. Agriculture

27. Allocations for delivering the Common Agricultural Policy (CAP) remain unchanged from the Supplementary Budget at £235m for Direct Payments (BEL 2787) and £26.5m for the Rural Development Plan (BEL 2949).

Farm support

28. On 30 December 2019, the UK Government announced that funding for direct payments to farmers for 2020 would continue at the same level as 2019.

29. The previous UK Government commissioned Lord Bew to review the distribution of funding for farm support across the UK countries from 2020 to 2022. As a result of the review, an additional €6.12m per year was committed for Wales for the next two years.

30. In response to a question about how the additional funding resulting from the Bew review would be allocated, the Minister confirmed that no decision had been taken as yet. An official accompanying the Minister elaborated:

"the money hasn't actually been allocated to this department; it's been provisionally allocated to the Welsh Government, then the Cabinet will make a decision on whether it would come to the Minister or not."

31. It was confirmed that this was the normal process for allocating such funding and that it was expected that the funding would be allocated to the Minister's portfolio.

32. The Welsh Government is developing proposals for post-Brexit schemes to provide financial support for agriculture. Its proposed “Sustainable Farming Payment” would reward land managers for providing environmental public goods. A business support element of the proposed scheme is aimed at economic sustainability.

33. The Minister said that the Welsh Government was “in the process of procuring and developing the comprehensive economic analysis of the new scheme.” An official accompanying the Minister said that £400,000 had been allocated for this preparatory modelling work. The Minister said this work would form “part of the regulatory impact assessment, which will be published alongside our Wales Agricultural Bill, when we come to do that.”

34. The official went on to explain that pilot projects would be funded by “variation within the existing rural development pots.” The official continued:

“we have quite a large chunk of the rural development programme still to commit and we are looking at piloting new ways of doing things as part of that, and then, as we move into the 2021-22 rural development budget, which of course is beyond the current EU rural development programme, we can look at more ways of piloting things, building on the co-design process that we'll be doing this year, which will give us much more specific things to test.”

Agricultural pollution regulations

35. Regulations to establish the all-Wales Nitrate Vulnerable Zone (NVZ) approach were expected to be introduced in January 2020. Some stakeholders have raised concerns that compliance would incur additional costs for farmers. In December 2019, the Minister issued a written statement saying “it may be possible to offer a more flexible approach based on earned autonomy to deliver the same outcomes compared to regulation”.

36. Under the Rural Development Plan (RDP), eligible farmers can access funding towards nutrient management planning and advice on the NVZ Regulations through Farming Connect. Financial support is also available through the RDP Sustainable Production Grant Scheme to improve resource and business efficiency.

37. The Minister said she would consider using some of the 15% arising from the modulation of EU funding, which would amount to around £40 million, to support interventions in this area. The Minister explained:

“we will provide funding where farmers do need assistance in relation to ensuring they have the right structure on their farm in relation to slurry et cetera. So, they are very early discussions. I have talked about it with one of the unions. That's one area where I think we could look at using that £40 million.”

38. In response to a question about whether this would be sufficient, the Minister said:

“Probably not. I haven't got all the advice yet, so that's something that we need to take into account, obviously.”

Our view

We welcome the Minister's intention that direct payments to farmers will continue in 2021. We expect the €6.12million that has been committed as a result of the Bew report to be allocated to the Minister's portfolio. We would be grateful for an update from the Minister once a decision has been taken by the Cabinet on this matter.

We note the Minister's comments about the modelling and piloting work for the proposed post-Brexit farming support scheme. The Minister should set out the latest timetable for this work; the development of the sustainable farming scheme; and the introduction of a Welsh agriculture Bill.

The Minister should provide the Committee with an update on the number, nature and funding allocated to pilot projects.

We note the official's comments that “quite a large chunk” of RDP is yet to be committed. We would be grateful for clarification of the latest information on how much of the RDP has been committed. Further, we would be grateful for clarification of the specific amounts of uncommitted RDP that are being used for pilot projects.

The Minister should report back to this Committee when she has determined how the approximately £40 million arising from modulation should be used. In particular, the Minister should indicate how she intends to use these funds to address agricultural pollution.

Recommendation 8. As soon as she can, the Minister should confirm whether the €6.12million that has been committed as a result of the Bew report has been allocated to her portfolio.

Recommendation 9. The Minister should report back on latest timetable for the proposed post-Brexit farming support scheme, including the introduction of a Welsh agriculture Bill.

Recommendation 10. The Minister should clarify how much of the RDP has been committed. She should report back to the Committee on how much uncommitted RDP is being used for pilot projects for the Welsh Government's post-Brexit farming support scheme.

Recommendation 11. The Minister should report back to this Committee when she has made a decision about how she will use the approximately £40 million arising from modulation. The Minister should indicate how she intends to use these funds to address agricultural pollution..

5. Environmental governance

39. There are no specific allocations for environmental governance in the draft budget.

40. In summer 2019, this Committee published its second report³ on environmental principles and governance post-Brexit. The report included several recommendations about the need for a domestic environmental governance body to fill the 'governance gap' after Brexit.

41. In response to that report, the Minister said a stakeholder group had been tasked with considering models for a domestic environmental governance body and transitional arrangements in case of a no-deal Brexit. In oral evidence, the Minister confirmed that the group continued to consider these matters and was due to report within weeks. The Minister explained the report would:

“have a thorough options appraisal, and included in that will be financial implications.”

42. The Minister said she expected the Welsh Government would receive consequential funding arising from certain England-only provisions included in the UK Government's Environment Bill. This additional funding could potentially be used towards funding a proposed Welsh solution.

³ <http://senedd.assembly.wales/mgIssueHistoryHome.aspx?IId=15122>

43. The Minister sought to reassure the Committee that the framework of environmental governance in Wales was robust, as a result of the Environment (Wales) Act 2016 and Wellbeing of Future Generations (Wales) Act 2015. This framework will not fall away when the UK leaves the EU. The Minister emphasised that Wales is in a very different place to England, in terms of governance arrangements.

Our view

The Committee is grateful for the Minister's commitment to share with us the report of the stakeholder group that is considering future governance arrangements.

We note the Minister's comments about the funding for establishing a domestic environmental governance body. However, there does not appear to be any funding allocated to preparatory work in the draft budget. We would be grateful if the Minister would clarify how she expects this work to be taken forward.

We expect the UK Government to bring forward an Environment Bill imminently. We would be grateful if the Minister would clarify whether she has asked for powers to be included in the forthcoming Bill and for her to provide an assessment of costs arising from Welsh provisions in the UK Environment Bill.

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

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

6. Biodiversity

44. The State of Nature 2019 report indicated that Welsh wildlife continues to decline, with 17% of species now at risk of extinction.

LIFE Programme

45. The LIFE Programme is an EU fund supporting environmental, nature conservation and climate action projects. In a negotiated Brexit scenario, UK-based organisations will be able to continue to participate in the LIFE programme

until the end of 2020 and successful projects agreed within this timeframe will be fully funded by the Commission until they finish.

46. The Minister confirmed that she would aim to continue to be able to access the EU LIFE programme after Brexit, “subject to considering both the costs and the benefits”. She went on:

“if that's not possible, I would hope there would be an equivalent arrangement. That's part of the negotiation with the UK Government in relation to our future relationship with the EU, so I'm having those discussions.”

Nature Directives and Natura 2000 network

47. The “Nature Directives” are the EU Birds Directive and the EU Habitats Directive. Together, the Directives establish the Natura 2000 network, an ecological network of protected sites that are divided into Special Protection Areas (SPAs) and Special Areas of Conservation (SACs).

48. The 2016 State of Natural Resources Report (SoNaRR) revealed that only 55% of species features in the SAC and SPAs in Wales were in a favourable condition. BEL 2825 (Biodiversity, Evidence and Plant Health) includes an additional £15m for “improving the condition of these sites and strengthening the arrangements for managing them in the future”.

49. The Minister confirmed that early discussions had taken place with NRW but that no decision had been made as to how the £15m would be divided between marine and terrestrial sites. An official accompanying the Minister said:

“We're certainly considering how we might be able to make that money available not just to NRW, as one of our delivery partners, but to others who would be able to make improvements or can help manage Natura sites. As the Minister said, although we've not yet decided exactly how it will split between terrestrial and marine biodiversity, we're certainly considering and are very hopeful that we'll be able to support both.”

Monitoring and evidence

50. The Minister highlighted the annual investment in the Environment and Rural Affairs Monitoring and Modelling Programme (ERAMMP) and the value of evidence-based policymaking. She said that £1.2 million was allocated annually to the programme and that “we're absolutely committed to continuing to fund this

because we do need that rigorous programme of monitoring.” An official accompanying the Minister described the programme as “best in class in the UK” in terms of its contribution to the development of policy and assessing its impact:

“This gives us really detailed spatial information, so we can look at what things mean in different places in Wales in different types of farms. The level of detail we have for soil mapping, for instance, through this programme is unprecedented anywhere else in the UK, and as we're doing our future farming policy design, this is really powerful, really important.”

Our view

The Minister should keep this Committee updated about discussions with the UK Government about the LIFE Programme.

We note the Minister’s comments that decisions are yet to be taken on the allocation of the £15m for the Natura 2000 network. We would be grateful if the Minister would report back to this Committee once decisions have been made.

Recommendation 14. The Minister should keep this Committee updated about the progress of discussions with the UK Government about the LIFE Programme.

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

7. Marine and fisheries

51. BEL 2870 (Marine and fisheries) allocates £4.5m for 2020-21. The Minister said this BEL had benefitted from additional investment from the Brexit transition fund in 2019-20. This funding had now come to an end but “the baseline funding for marine and fisheries, not including the EU transition funding, has increased from £2.192 million to £3.742 million in this budget.”

52. The Minister said that detailed budget planning at a divisional level was currently underway. She reassured the Committee that “marine conservation and biodiversity” were priorities.

53. The Welsh Government is currently developing its post-Brexit marine and fisheries policies. In her written submission, the Minister said no specific funding had been included in the draft budget for developing future fisheries policy - costs will be met from the existing marine and fisheries budget. In reference to short-term resource requirements, the Minister explained that

“the main part of resources that will be needed isn't financial; it's more staff resources.”

54. The Minister said that staffing in the marine and fisheries department had already been “boosted”, with the addition of a new Director.

55. The 2019-20 budget included unspecified funding for identifying, designing and managing new marine protected areas. However, no new Marine Conservation Zones were designated during that financial year. In response to a question on this matter, the Minister said:

“...we haven't made the progress this year that I would have liked to have seen. But it is about prioritisation and I'm afraid that Brexit has taken a significant amount of work in this area. Plus, also, I was really keen to get the Wales national marine plan; it was something that I really wanted to see when I came into post. It took three years, it took a lot, lot longer than I thought it would, but that's where we've, sort of, concentrated this year.”

56. The Minister said that “because of the work that we did last year and this £15 million funding, that next year, we will be able to make some significant progress”.

Our view

The Minister told the Committee she expects to see progress on marine conservation during the next financial year. The Committee requests that the Minister share her department's plans in this policy area. Further, the Committee would like to know how much funding will be allocated in the division's budget to support this work and for the designation of marine conservation zones in 2020-2021.

The Minister commented that the marine and fisheries department had been “boosted” with new staff. However, during our follow-up inquiry into Marine Protected Areas, we were informed that stakeholders continue to have concerns about staffing capacity in this policy area. This is supported by the evidence that no new Marine Conservation Areas were designated in the last financial year

because of a lack of capacity arising from Brexit-related work. We request further information about the staffing profile in the marine and fisheries department.

Finally, the figures provided in the draft budget narrative do not match the figures published in the draft budget. We would be grateful for clarification.

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

Recommendation 17. The Minister should provide further information about the current staffing profile in the marine and fisheries department and any plans to increase staffing numbers.

8. Natural Resources Wales

57. Natural Resources Wales (NRW) has faced year on year budget reductions in recent years. Except for some minor changes, funding is maintained at the same level - £93m - for 2020-21. This represents a real-terms decrease of 1.8%. The £93m is made up of £60m Grant in Aid and £33m for flood risk management (of which £20m is revenue and £13m is capital).

58. In her written submission, the Minister states that maintaining NRW's funding at the same level for 2020-21 will enable it to "boost" its efforts to tackle climate change through more renewable energy generation on public land and more natural flood management. The Minister also states that NRW will be expected to work with the Welsh Government to develop the new Environmental Growth Plan and "must utilise the considerable resources made available to it in 2020-21" to work with others to "grow nature".

59. In oral evidence, the Minister recognised this was a "flatline" budget for NRW, but emphasised that the Welsh Government was not its only source of funding. An official accompanying the Minister explained that the majority of the funding increase for the Minister's portfolio had been in capital, rather than revenue, so that "there's only so much we could push over." He said:

“the Minister has monthly meetings with the Chief Executive and Chair to go through their financial position. There's been a reprioritisation within there. The organisation itself has changed significantly since the merger, and they're confident, when they talk to us, that they can deliver many of these new things, which are the norm for them now as well. So, that's where I think we are, and I think their financial position is a lot better than it was a few years ago.”

60. The Minister said that the purpose of the organisational redesign that NRW had undertaken was to ensure it was in a position to respond to the Welsh Government's priorities. She said:

“They will help us, of course, with the national forest, but it's not just down to NRW to deliver the national forest; we will be looking at other ways of doing that. Flooding is obviously a big part of it as well—flooding prevention. And, again, it will be capital funding.”

61. In February 2019, NRW told this Committee that it was working with the Welsh Government to put in place a “more participatory process” from 2020-21 onwards and on ways to generate more income from its activities. The Minister said that Welsh Government officials had worked very closely with NRW in the development of the draft budget. She said:

“I know there have been a number of meetings where they've focused on priorities. There have been a number of finance meetings, there's been a workshop. I think there's been a challenge to NRW's financial plans. I think everybody's benefited from having that kind of close participation.”

62. The Minister added that Welsh Government was working with NRW to look at “other ways of accessing revenue”.

63. In response to a question about NRW's call for multi-year financial settlements, the Minister confirmed that this would not be possible, but that indicative multi-year budget forecasts were shared and discussed with NRW.

Our view

This year, NRW will have a “flat-line” budget, which is a reduction in real terms. .

This funding settlement should be seen in the context of year-on-year reductions in funding and increases in its responsibilities and duties. This year, again, the Welsh Government will expect NRW to deliver more, in the form of

the new national forest, the restoration of peatlands and some Natura 2000 sites.

NRW has repeatedly told us that a decreasing budget is impacting its ability to deliver services and take on new duties. During last year's draft budget scrutiny, the Minister conceded that:

"if we put further requirements on them [NRW], we would have to look very carefully at how they would fund them".

We were provided with no evidence to suggest that this has happened. Yes, NRW has undertaken a process of organisational redesign, but there is only so much capacity and resource that can be freed up by such exercises.

The Committee intends to hold its regular annual scrutiny session with NRW early in 2020 and will consider these matters further in due course.

9. Flooding and coastal erosion

64. BEL 2230 (Flood risk management and water revenue) totals £64.7m, up from £51.8m last year. The £64.7m is made up of £27.2m resource and £37.5m capital.

65. The Welsh Government is responsible for managing flood and coastal erosion risk and funds relevant activities carried out by risk management authorities, primarily NRW and local authorities.

66. The Welsh Government has consulted on a new flood and coastal erosion risk management strategy and plans to publish the final version in 2020.

67. The Minister's written submission highlighted improvements to the way schemes are prioritised in order to target "projects in the highest risk areas which demonstrate the most effective preventative spend". In oral evidence, the Minister explained that this prioritisation was based on NRW's "communities-at-risk register":

"That's an index of risk from rivers, the sea and surface water, and that's also alongside local evidence of recorded flood events...."

68. The Minister said:

"our prioritisation also takes account of the number of properties, benefiting cost per property and the wider benefits of a proposed"

scheme. So, when we get potential schemes brought forward from local authorities, for instance, that's an area that we consider, and we also encourage natural flood alleviation schemes. As I said, we want to see less concrete and more greener solutions to flood prevention."

69. The Coastal Risk Management Programme (CRMP) was established to reduce risk around the coastline and is being delivered by local authorities. The CRMP is a £150m three-year programme funded via a local government borrowing initiative. The Minister explained:

"coastal schemes receive 100 per cent funding to develop outline business cases for schemes and that early scheme development, and then the design and construction of eligible schemes are then funded by local authorities through that prudential borrowing from the Welsh Government, and we provide 75 per cent of the repayment costs."

70. The Minister said the scheme was attractive to local authorities because it was flexible, and "they can then choose how to raise their 25 per cent."

Our view

The Committee welcomes the increased investment in flooding and coastal erosion risk management.

During last year's scrutiny of the draft budget, we were told that work was underway to develop a new risk management strategy. It is yet to be published. We are disappointed by the delay and would be grateful for further information about the timetable for its introduction. We also seek clarification from the Minister about any allocations in the draft budget for the implementation of the strategy, or any actions arising from it.

Last year, we expressed support for the Minister's intentions to explore the possibility of using alternative sources of investment for flooding and coastal risk management interventions. We would be grateful for an update from the Minister on progress during the last year.

Recommendation 18. The Minister should report back on the timetable for the introduction of the new risk management strategy. The Minister should also clarify whether funding has been included in the draft budget for the implementation of the strategy, or any actions arising from it.

Recommendation 19. The Minister should report back to this Committee on progress made during the last year to about the use of alternative sources of investment for flooding and coastal risk management interventions.

10. Forestry and woodland

71. £4.5m of capital funding has been allocated from reserves for a programme to improve the condition and connectivity of ancient woodlands and to accelerate the rate of tree planting (BEL 2825). A further £0.5m of resource funding has been allocated from reserves for “national forest revenue support” (BEL 2827).

72. The Welsh Government published its revised woodlands strategy in 2019. It includes the target of planting a minimum of 2,000ha of woodland per year from 2020 and measures to support planting. The low carbon delivery plan reiterates this target, adding that the aim is to increase planting to 4,000ha per year “as rapidly as possible”.

73. In response to a question about whether funding for forestry is sufficient to deliver the tree planting targets, the Minister said:

“I think we'll need additional funding...We're currently scoping out the national forest, but we do need to look at other ways of funding woodland and trees. The private sector, I think, will play a big part; I don't think we can just do it from Government alone. You've heard me say many times that we're not planting enough trees and we need to ensure that we plant more, and we will.”

74. The Minister suggested that funding from the Environmental Growth Plan could be used to support community-led tree planting:

“As we're working up the environmental growth plan, I'm very keen to see little bits of money go in. So, again, you will have heard me talk about tiny forests. So, I think a tiny forest in a community is a great way of being part of that environmental growth plan.”

75. The First Minister's leadership manifesto included a policy to create a national forest. It now appears in several Welsh Government policy documents, including the draft National Development Framework. In response to a question, an official accompanying the Minister explained that:

“part of the vision that we are developing for the national forest is how we can maximise that project to deliver multiple benefits, and part of that will be looking to work with the commercial forestry sector to see what they need and what we can do, balancing a lot of the other priorities—biodiversity, timber for house building, flood prevention, et cetera. But, part of the broader vision for the national forest includes the commercial.”

Our view

The Committee is concerned by the Minister's comments that she does not believe the funding in the draft budget is sufficient to deliver the Welsh Government's tree-planting targets.

We note the Minister's view that additional funding will need to be leveraged to deliver this agenda, including from the commercial sector. However, we see no evidence of progress in this area. We would like details from the Minister about how she intends to take this forward.

We would be grateful for an update from the Minister on any work that has been undertaken to assess the financial implications of the national forest policy. In particular, we seek clarification about plans for the £4.5m of capital funding and the £0.5m in revenue that has been allocated in this draft budget.

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

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

11. Animal welfare

76. BEL 2270 (Animal health and welfare) remains unchanged from the Supplementary Budget at £108k of resource funding.

Dog breeding

77. In early 2019, the Welsh Government consulted on banning third-party sales of puppies and kittens. The Minister subsequently committed to introducing a ban during 2020.

78. The Minister has said she is revisiting the Animal Welfare (Breeding of Dogs) (Wales) Regulations 2014 with the aim of improving welfare conditions at breeding establishments. A stakeholder group was tasked with reviewing the regulations and was due to report to the Minister at the end of 2019.

79. The Minister recognised there could be additional financial implications for local authorities. However, these would vary depending on the number of puppy farms in the region. This could be mitigated through collaboration by local authorities in order to maximise resources and expertise. The Minister acknowledged that additional funding for local authorities might be necessary eventually after all such opportunities had been exhausted.

Our view

Despite recognising that there may be additional financial implications for local authorities arising from further regulation of dog breeding establishments or the enforcement of a ban, there is no funding in the draft budget for this purpose. We seek clarification of the Minister's intentions concerning this matter.

We would be grateful for information about the timetable for introducing a ban on the third-party sales of puppies and kittens, which is due in 2020. In particular, we seek clarification from the Minister about how she envisages the ban will be enforced and whether she anticipates this will give rise to further costs for local authorities. Finally, we seek clarification of whether this draft budget includes funding to support the implementation of such a ban.

We request an update on any relevant discussions that have taken place with the Minister for Local Government and Housing.

Recommendation 22. The Minister should report back to the Committee on any discussions she has had with the Minister for Local Government and Housing and local authorities about how the costs arising from her proposed animal welfare interventions will be met.

Part 2 – Scrutiny of the Minister for Economy and Transport

12. Transport decarbonisation

80. The UK CCC's 2019 progress report showed surface transport as the largest emitting sector in the UK, accounting for 23% of emissions. Transport emissions in Wales have only reduced by around 3% since the 1990 baseline.

81. The Minister's written submission highlighted that:

“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”.

82. The Welsh Government is currently developing a new Wales Transport Strategy, which is due to be published in December 2020. The Minister said the strategy would be based on a new “sustainable transport hierarchy”, to underpin modal shift. The Minister explained that this approach would mean:

“we have to exhaust all options before we reach the point of investing in solutions for motor vehicles that are polluting. So, first and foremost, at the very top of our priority list are interventions that regard walking and cycling. If every solution has been exhausted in that area in that regard, then we move on to public transport. Then, if we find that public transport isn't the solution for a particular challenge, we move on to ultra-low emission vehicles, and only then, if we've exhausted all options there, do we move into the area of looking at investing in schemes for other motor vehicles.”

Carbon impact of transport investment

83. The Welsh Government published its Wales Infrastructure Investment Plan (WIIP) project pipeline 2019 on 4 November. The transport section states that “decarbonisation is at the heart of decision making for infrastructure developments”. However, nearly 65% (by value) of Welsh Government transport investments identified in the WIIP are road schemes (£1,593.7 million of a total £2,461.7 million investment).

84. In reference to the WIIP, the Minister emphasised the importance of noting that:

“rail infrastructure is not devolved. If rail infrastructure was devolved to Wales, the Welsh Government, and the funding with it, then the WIIP would look very different indeed. Secondly, there's a £15 million threshold on projects contained within the WIIP and as a consequence that obviously excludes or leaves out some of the projects associated with active travel and with bus services as well and bus infrastructure.”

85. The Future Generations Commissioner has suggested that a ‘carbon impact account’ should be developed for the Welsh Government’s overall budget. In response to a question, the Minister confirmed that this approach would be implemented for the transport strategy. The Minister added that:

“the transport strategy will contain detailed assessments of carbon impacts and the specific investments that we're making. So, too, the carbon delivery plan for 2021.”

Our view

We note the Minister’s comments in his written submission that the Welsh Government has provided a total of £219 million for Sustainable Travel as part of the draft budget. We also note, however, the absence of a definition of what constitutes ‘Sustainable Travel’. We would be grateful for clarification of this matter.

We welcome the Minister’s commitment that the transport strategy will contain details of carbon impacts. However, we share the Future Generations Commissioner’s concerns about this draft budget – that without an assessment of the carbon impact of major investment decisions, it is difficult to assess the effectiveness of Welsh Government investment and interventions. As the Future Generations Commissioner explained in her advice to this Committee:

“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.”

We also note the Commissioner’s comments that, despite the Minister’s commitments concerning the decarbonisation of transport, environmental assessment work for some schemes in the Minister’s portfolio highlights that

they are net carbon emitters. It is not possible to ascertain the net carbon impact of the investments set out in the transport budget

As we set out in Part 1 of this report, we agree with the Future Generations Commissioner that the Welsh Government should undertake an analysis of its expenditure, including capital spend, in terms of carbon impact and publish details on the overall carbon impact of their budget.

Recommendation 23. The Minister should clarify how “sustainable travel” is defined in relation to the funding allocations in the draft budget.

13. Air Quality

86. Wales has some of the worst air quality in the UK. Cardiff and Port Talbot have higher particulate matter levels than Birmingham or Manchester, and a road in Caerphilly is the most polluted outside of London. Public Health Wales (PHW) figures show that air pollution contributes to around 2,000 deaths per year in Wales.

87. The Welsh Government published its consultation on a Clean Air Plan for Wales on 10 December 2019. The consultation seeks views on a range of existing commitments and proposed new actions. It also commits the Welsh Government to publish a White Paper during this Assembly term on a Clean Air Act for Wales.

88. The Minister said that considerable sums had been allocated in this and recent budgets to address air pollution. The Deputy Minister added that initial allocations had been supplemented with more funding:

“this financial year we spent more than £40 million. We'd budgeted £20 million; we've actually doubled it. And, as the Minister said earlier, we're spending more this year for the first time ever on active travel than we are on roads. Next year, we've budgeted £30 million—£37 million. So, the original plan was £30 million; it's actually £37 million in the draft budget. And we'll be seeing if there are opportunities to increase that as we have this year, in-year.”

89. In June 2018, the Welsh Government introduced temporary 50 mph speed limits at five locations on the motorway and trunk road network that exceed the legal limit for nitrogen dioxide.

90. The Minister said that data showing the impact of these interventions would be published in March 2020. He added that:

“The figures for the first period that we carried out an assessment showed that there is a reduction across all five areas. I think only one, though—the A494 through Deeside—showed a reduction in nitrogen dioxide levels that indicate that we're now compliant. But we need the trend—we need the trend over 18 months. So, those figures that will be published soon are absolutely vital. “

91. The Minister’s written submission outlined that, in addition to the 50 mph speed limits, work was continuing on the development of Precautionary Retained Measures (PRMs). The Minister said that funding to develop PRMs is necessary in 2020-21 and that this could include public consultation exercises and design activities. In oral evidence, the Minister explained:

“there are some estimates, but the cost of any work that's required will obviously be dependent on the figures that are going to be published in March, and whether compliance at one or more sites has been achieved. Estimates have been something in the region of £8 million, I think, so far, but, as I say, it could vary quite dramatically, depending on the figures that are published.”

Our view

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

The Minister should report back to this Committee within the next 6 months on the development of Precautionary Retained Measures (PRM). In particular, the Committee would like further details about the consultation plans; the timetable for the programme of work; and the funding that is going to be allocated to the policy.

We seek clarification from the Minister about allocations included in the draft budget to support the implementation of the Clean Air Plan and development of a Clean Air Act.

This Committee will shortly be undertaking an inquiry into clean air policies, to inform the development of the Welsh Government's Clean Air Bill. We will consider these and other matters further as part of that inquiry.

Recommendation 24. The Minister should report back to the Assembly on the impact of speed reduction interventions as soon as possible after the publication of the data in March 2020. This should include an informed estimate of when he expects air quality compliance to be achieved at each of the sites.

Recommendation 25. The Minister should report back to this Committee within the next 6 months on the development of Precautionary Retained Measures (PRM). In particular, the Committee would like further details about the consultation plans; the timetable for the programme of work; and the funding that is going to be allocated to the policy.

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

14. Transport infrastructure investment

The implications of the M4 Relief Road decision

92. On 4 June 2019, the First Minister announced that the Welsh Government would not proceed with the planned M4 relief road. The First Minister announced the establishment of the South East Wales Transport Commission (also known as the Burns Commission) to consider alternatives to the relief road.

93. A progress update on the work of the Commission was published on 17 December 2019. This included three immediate recommendations – a longer, permanent 50mph zone; greater lane segregation; and improved traffic officer response.

94. The Minister confirmed that funding would be made available to:

“implement recommendations that emerge from the Burns commission, including those early interventions that have already been published. Officials are working through them with a view to being able to implement them without any delay.”

Our view

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

the Welsh Government's latest assessment of the financial implications of these interventions.

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