

Scrutiny of the Welsh Government Draft Budget - 2022-23

Chair's foreword

The latest international reports on the state of the climate and nature make for sobering reading. Global efforts have, so far, not been sufficient to combat climate change and halt nature's decline. While there is still time to turn this around, it is quickly running out. What happens in this decade will shape what the world will look like for generations to come.

Following COP26, and in the run up to the UN summit on biodiversity, COP15, there is growing pressure on governments to match international commitments on climate change and biodiversity with action and investment. The Draft Budget 2022-23, the first in the Sixth Senedd, provides the Welsh Government with an opportunity to do exactly that.

There are some encouraging signs that the Welsh Government in the Sixth Senedd is willing to do things differently, with the creation of the Climate Change Ministry, a new approach to infrastructure investment, and a review of funding for Natural Resources Wales. But, the real test will be whether they result in improvements in delivery and outcomes. We have been told time and again as a Committee that this must be the decade of delivery. We need to see good intentions converted into decisive, well-resourced action.

So, while there may be cause for cautious optimism, some important questions remain unanswered. How will the cost of decarbonising Wales existing homes be met in the long-term? What is the Welsh Government doing to encourage private investment to meet the cost of transitioning to Net Zero? How can we ensure a just transition to Net Zero, where the burden of the necessary changes doesn't fall on the poorest in our communities?

These are fundamental questions and will affect where we live, how we work, and how we spend our leisure time. We hope the Welsh Government can shed light on these in its response to our report.



Introduction

Our approach

- 1.** We took evidence from the Minister for Climate Change ('the Minister') and the Deputy Minister for Climate Change ('the Deputy Minister') at our meeting on 20 January 2022. The Minister and Deputy Minister provided written evidence to the Committee in advance.
- 2.** Given the timetable for budget scrutiny, we were not able to seek the views of stakeholders to inform our work. We have, however, drawn on evidence received as part of our work on priorities for the Sixth Senedd, and the marine environment, our annual scrutiny session with Natural Resources Wales, and responses to the Finance Committee's consultation on the Draft Budget 2022-23.

Overview of allocations

- 3.** The Draft Budget 2022-23 provides a three-year spending plan for both revenue and capital.
- 4.** The total allocation for the Climate Change Main Expenditure Group ('MEG') for 2022-23 is £2.856bn.¹ The Climate Change MEG includes allocations for policy areas that fall outside this Committee's remit, for example, housing.
- 5.** The Minister's evidence paper provides budget allocations only for actions that fall within this Committee's remit, categorised as follows: Economic Infrastructure; Environment, Energy & Planning; and Delivering the Digital Strategy.
- 6.** The total revenue budget for 2022-23 for the above is £703.021m (not including Non-Fiscal Resource and Annually Managed Expenditure). This represents an increase of £174m (33%) compared to 2021-22. Of this, £137m is allocated to Economic Infrastructure and £37m to Environment, Energy & Planning. There is no change in allocation for Delivering the Digital Strategy.
- 7.** The total capital budget for 2022-23 for Economic Infrastructure and Environment, Energy & Planning is £878.5m, a reduction of £42.613m since the 2021-22 final budget. There are further reductions for 2023-24 and 2024-25.

¹ Including Fiscal and Non-Fiscal Resource and Capital but excluding Annual Managed Expenditure.

8. As part of the preparation for the Draft Budget 2022-23, the Welsh Government undertook “a fundamental zero-base review of all Welsh Government general capital budgets was undertaken”. The Draft Budget narrative explains:

“Instead of bringing forward baseline budgets from the previous year, and then revising for reprioritisation and additional pressures, all departmental budgets have been reset to zero. A review of departmental proposals was then undertaken, following assessment against a range of key criteria with tackling the climate and nature emergency at the heart.”

1. Climate change and energy

Climate change

9. In March 2021, Wales adopted a statutory target to reach Net Zero by 2050, and more challenging interim carbon emissions reduction targets and carbon budgets.

10. In October 2021, the Welsh Government published Net Zero Wales Carbon Budget 2 (2021 to 2025), ('the Net Zero Plan'), which sets out policies and proposals across all Ministerial portfolios to meet Carbon Budget 2, and build the foundations for Carbon Budget 3 and Wales' future emissions reduction targets.

11. The Minister's evidence paper said that climate change was "at the heart of this government which is why the Climate Change Ministry has been created, bringing together the big policy areas to help Wales reach its legally binding target of reaching Net Zero by 2050".

12. The Minister explained the Draft Budget 2022-23 had been shaped by the Net Zero Wales Plan. She said "the ambition set in the Net Zero Wales Plan was informed by our emissions calculator and we are improving our approaches to evaluating carbon impact in our policy development".

13. The Minister's evidence paper outlined the work undertaken to estimate the carbon impact of spending decisions and how this had influenced the approach to budget allocations. She said:

"Through the budget-setting process, we sought to further understand both the whole life direct emissions from construction, operation and decommissioning of our capital investment area, as well as anticipated indirect changes in carbon emissions from behaviour changes and supply chain impacts from the investment. These assessments are difficult and our capability is improving".

14. The Minister explained current arrangements for monitoring and reporting progress towards delivery of the Net Zero Plan and emissions reduction targets, which include statutory progress reports and annual emissions data.

15. The Minister's evidence paper said, "the majority of the costs in meeting our climate targets over the period of the second carbon budget (2021-25) will not fall directly to Government". She acknowledged the need to "focus financial resources to stimulate investment from others". The Deputy Minister highlighted the deep dives on renewable energy and tree

planting as examples of how the Welsh Government was working to stimulate private investment for climate change action. He emphasised the importance of ensuring that economic benefits from private investment were retained in Wales.

Our view

The Sixth Senedd coincides with a critical time in the fight against climate change. The Climate Change Committee has described the 2020s as the “decisive decade for tackling climate change”, with Wales needing to make more progress in reducing carbon emissions in this decade than in the last three. The action taken, or not taken, by the Welsh Government during the Sixth Senedd will be crucial in determining whether Wales can become a Net Zero nation.

The Draft Budget 2022-23 provides the Welsh Government with an opportunity to demonstrate its commitment to deliver “an urgent and radical response” to the climate change emergency through its spending decisions. There are some encouraging signs the Welsh Government is prepared to do so, with increased investment in key areas, including forestry, active travel, decarbonising housing, the circular economy, renewable energy, and flooding. The real test, however, is whether the additional investment will be sufficient to meet Carbon Budget 2 and make progress towards emissions reduction targets.

We intend to undertake systematic scrutiny of progress towards delivery of the Net Zero Plan and emissions reduction targets during the Sixth Senedd. While we note the current monitoring and reporting arrangements for the Net Zero Plan and targets, we believe there is room for improvement.

We know that a significant level of investment will be required for Wales to meet its 2050 Net Zero target. Much of this will come from private investment. We would like further details of work the Welsh Government is undertaking to leverage private investment to meet the cost of transitioning to Net Zero.

Recommendation 1. The Welsh Government should improve monitoring and reporting arrangements for the delivery of the Net Zero Plan and emissions reduction targets, with a view to better supporting Senedd scrutiny. This includes publishing annual progress reports on the Net Zero Plan, and more regular reports on progress towards emissions reductions.

Recommendation 2. The Welsh Government should provide a comprehensive explanation of work it is undertaking to leverage private investment to meet the cost of transitioning to Net Zero.

Renewable energy

16. The Welsh Government has the following targets for renewable energy:

- for 70% of Wales' electricity to come from Welsh renewable sources by 2030, and
- for 1GW of renewable energy to be locally owned by 2030.

17. The Net Zero Plan outlines the Welsh Government's commitment to expanding renewable energy generation by public bodies and community enterprises by over 100 MW by 2026. It also includes an ambition to install 1GW additional renewable energy capacity by 2025.

18. The Programme for Government commits the Welsh Government to support innovation in new renewable energy technology. According to the Welsh Government, it will "use the 2020s as a decade of demonstration and early commercial roll-out of these technologies prior to full implementation during the 2030s and beyond".

19. Revenue funding for the Clean Energy BEL is at £8.5m, an increase from £5m from 2021-22. This will fund the development of evidence to establish a path for decarbonising Wales' energy system. It will also deliver support services, including Local Energy, the new Welsh Government Energy Service and Smart Living programmes.

20. Revenue funding for the Welsh Government Energy Service BEL remains unchanged at £3.97m. There is an additional capital allocation of £2m from 2021-22, taking the funding to £15m for 2022-23. The Welsh Government Energy Service provides free support to community and public sector organisations to develop energy efficiency and renewable energy projects.

21. A total of £24m capital funding is allocated for Marine Energy (£4m in 2022-23 and £10m in subsequent years). This will be used to explore the opportunities to develop the marine sector through the Marine Energy Programme.

22. The Minister and Deputy Minister referred to the recent deep dive on renewable energy, which aimed to identify barriers to scaling up renewable energy generation and actions to overcome them. Recommendations from the deep dive include an end-to-end review of the marine licensing, consenting and supporting advisory processes, and identifying priority marine and terrestrial evidence gaps and mechanisms to fill them.

23. The Deputy Minister confirmed that views of stakeholders representing the environmental sector had been sought during the deep dive.

Our view

Our work on priorities for the Sixth Senedd and marine environment management highlighted concern among stakeholders about barriers to renewable energy generation in Wales, in particular offshore renewables. These include a paucity in the marine environmental evidence base and complexity and delays in the consenting and licensing process. Tackling these barriers will be essential if Wales is to meet its 2050 Net Zero target and benefit from the growth in the renewable energy sector.

We are encouraged the Welsh Government has undertaken work early in this Senedd to consider how to address barriers to scaling up renewable energy generation, through its deep dive. Some of the recommendations from the deep dive seek to address the concerns raised with us by stakeholders.

We note the Welsh Government will be reviewing resource needs for NRW's Offshore Renewable Energy Programme (OREP). The continuation of the OREP will be critical given the expected ramping up of offshore renewable energy development. We urge the Welsh Government to provide adequate, multi-year funding for the OREP.

We will shortly be undertaking work on renewable energy, which will include consideration of the recommendations and next steps. We will review progress towards implementation of the recommendations as part of our ongoing scrutiny work in this Senedd term.

We welcome the Welsh Government's commitment to work towards the creation of Ynni Cymru, a publicly-owned energy company for Wales. We will take a keen interest in proposals as they emerge, including the potential impact of Ynni Cymru on community renewable energy projects

Recommendation 3. The Welsh Government should report back to the Committee on the outcome of the review of consenting and supporting evidence and advice. This should include information about any changes in budget allocation as a consequence of the review, and funding for NRW's Offshore Renewable Energy Programme.

Coal tip safety

24. Wales has over 2,500 disused coal tips. Due to the growing impacts of climate change these tips are now exposed to increased safety risks. The Welsh Government is developing a long-term reclamation and remediation programme to address these risks.

25. The Draft Budget 2022-23 includes an additional allocation of £4.5m revenue (over three years), and total capital funding of £44.4m, to support essential coal tip maintenance.

26. The Minister said the Welsh Government had funded work to identify all disused coal tips, and that work was ongoing to identify maintenance works.

27. The Minister's official explained funding up to 2024-25 was for maintenance work, although an estimated £0.5bn would be needed over the next ten years to meet the full cost of the reclamation and remediation programme. The Welsh Government has called for the UK Government to share the cost of the programme, arguing that coal tips are a legacy of Wales' industrial history which predates devolution. The UK Government has, to date, been unwilling to provide funding. The Minister said this was "completely indefensible".

28. The Minister assured the Committee that the Welsh Government is "absolutely committed to making sure that our communities are safe and protected and that the inspection regime carries on, and we will always continue to do that".

Our view

We believe it is appropriate and necessary that the UK Government shares the cost of the reclamation and remediation programme.

We welcome the Minister's assurance that the safety of communities who live near coal tips is a priority for the Welsh Government. Notwithstanding this, we are concerned about the impact of the UK's Government's decision on the delivery of the reclamation and remediation programme in the longer term, given the cost involved.

We welcome the Welsh Government's commitment to introduce a Bill to improve the regulatory framework for coal tip safety during the Sixth Senedd. The Bill will be informed by the work of the Law Commission whose report is due to be published shortly. We would like details on the timeline the Welsh Government is working towards for the introduction of the Bill.

Recommendation 4. The Welsh Government should:

- explain whether and how the UK Government's decision not to provide funding for the reclamation and remediation programme will impact the delivery of the programme in the longer term; and
- clarify whether it intends to continue to pursue its ambition to repurpose coal tips in light of the UK Government's decision.

Recommendation 5. The Welsh Government should provide an update on the timeline it is working towards to introduce the coal tip safety Bill.

Air quality

29. The Welsh Government has a long-standing commitment to introducing a Clean Air Bill. A White Paper was published in January 2021. The timing of the introduction of the Bill remains uncertain.

30. The Minister's evidence paper outlines additional cumulative revenue allocations for air and water quality - £2m in 2022-23, £1.5m in 2023-24 and £1m in 2024-25. It also outlines capital allocations of £5m in 2022-23, £2.2m in 2023-24 and £300,000 in 2024-25.

31. According to the Minister, allocations for air quality in the Draft Budget 2022-23 "will support the development of new air quality targets, the introduction of a new air quality monitoring and assessment service to support targeted action to improve air quality, and enhancements to the Local Air Quality Management regime".

Our view

We note the significant reduction in capital funding for air quality over the next three years. We would welcome an explanation from the Minister on this matter, including whether and how it will impact the delivery of the Welsh Government's Clean Air Plan and implementation of the provisions in the planned Clean Air Bill.

We have repeatedly called for a Clean Air Bill to be brought forward in the second year of the Sixth Senedd. Once again, we are repeating that call.

The Minister previously told us she was aiming to publish a summary of the responses to the White Paper on the Clean Air Bill by the end of October 2021. The summary has yet to be published. We would welcome an explanation for the delay, including whether this will impact the timing of the introduction of a Clean Air Bill.

Recommendation 6. The Welsh Government should explain the reason for the reduction in capital funding for air quality from £5m in 2022-23 to £0.3m in 2024-25.

Recommendation 7. The Welsh Government should clarify when the summary of responses to the White Paper on the Clean Air (Wales) Bill will be published. This should include an explanation for the delay in publication and whether this will impact the timing of the

introduction of the Bill, and an indicative timetable for the remaining phases of the Bill's development.

2. Decarbonisation of housing

32. Housing is currently responsible for around 10% of Wales' carbon emissions. For Wales to meet its Net Zero target, action will need to be taken to decarbonise existing housing stock through a programme of retrofit.

33. Capital funding under the Residential Decarbonisation and Quality BEL is £72m for 2022-23, increasing to £92m for both 2023-24, and 2024-25. Revenue funding for 2022-23 is £773,000.

34. According to the Minister's evidence paper, the total cost of decarbonising housing stock, based on Welsh School of Architecture estimates is "circa £15bn, of which more than £10bn is for the social housing stock and for homes in fuel poverty".

35. The Minister said capital funding under the Residential Decarbonisation and Quality BEL "will predominantly support the social housing sector, through the Optimised Retrofit Programme". Her evidence paper states:

"This will inform long-term wider retrofit of all homes, across all tenures in Wales including through development of survey mapping on a home by home basis for the optimum route to retrofit, and then undertaking the measures required to enable the decarbonisation of homes. Our ambition is to ensure that all social housing landlords participate in this scheme over the next three years so that they can integrate the decarbonisation agenda within their planned maintenance programmes."

36. It also states the Welsh Government is "encouraging [private rented sector] PRS landlords to bring their housing up to standard with the various leasing programmes". The Minister referred to increases in Minimum Energy Efficiency Standards in the PRS as a "blunt tool" for raising standards because of the risk that landlords unable to meet more stringent requirements may exit the rental market.

37. According to the Minister, learning from the Optimised Retrofit Programme would inform retrofit in the owner-occupied sector, which would be backed by "grant and loan schemes". She added the Welsh Government will also be considering the potential for linking energy efficiency with council tax.

Our view

Decarbonising Wales' housing stock is one of the key challenges facing this and future Welsh Governments. If Wales is to become a Net Zero nation by 2050, the Welsh Government must make marked progress towards a programme of housing retrofit during this Senedd term. We note that funding to support housing decarbonisation has increased. However, without a route map for decarbonising Wales' existing housing stock, it is not possible to assess whether the level of funding will be sufficient to deliver change at the scale and pace required.

When the Optimised Retrofit Programme (ORP) was launched, the Welsh Government said it would provide "a much clearer picture about the true costs...to decarbonise all 1.4 million in Wales by 2050". We would like further details of the latest cost estimate, broken down by tenure. We would also like an explanation of how this has informed allocations in the Draft Budget 2022-23.

We note the purpose of the ORP is to facilitate 'test and learn' to inform long term wider retrofit of all homes. While we acknowledge the importance of this approach, it is unclear what tangible outcomes the ORP has delivered to date, or is expected to deliver through increased investment over the next three years. We would welcome clarification on this matter.

Currently, the Welsh Government is focussing effort and investment on the retrofit of social housing. Our work on priorities for the Sixth Senedd highlighted the need for further consideration to be given to retrofit of the owner-occupied and private rented sectors, including financing that work. We would welcome further information on options the Welsh Government is exploring to improve energy efficiency in the private rented sector, and to address financing retrofit in the sector and the owner-occupied sector. We will return to these issues as part of our planned inquiry into decarbonising housing.

The Committee is concerned about the impact of increases in the costs of living, particularly energy prices. We recognise that this is a matter that falls within the remit of two other Committees that are better placed to comment in detail, but we wish to place on record that the Welsh Government will need to ensure that advisory services are resourced sufficiently to support Welsh citizens who are experiencing difficulties during these challenging times.

Recommendation 8. The Welsh Government should provide further details of the total estimated cost of decarbonising the housing stock, broken down by tenure. It should also explain how this has informed allocations in the Draft Budget 2022-23.

Recommendation 9. The Welsh Government should provide details of the outcomes of the Optimised Retrofit Programme to date, and the outcomes that are expected to be delivered through increased investment up to 2024-25. This should include the number of houses that have benefited, or are expected to benefit from the ORP.

Recommendation 10. The Welsh Government should provide further information on options it is exploring to address financing retrofit in the owner-occupied and private rented sectors.

3. Waste and resource efficiency

- 38.** The Welsh Government published its circular economy strategy, *Beyond Recycling* in March 2021. It set goals for zero waste to landfill by 2025 and zero waste (100% recycling) by 2050.
- 39.** The Programme for Government includes commitments to support more reuse, repair, and recycling in town centres; legislate to abolish more commonly littered single-use plastic ('SUP') items; and introduce waste sector reforms, including extended producer responsibility ('EPR') for plastic packaging and a deposit return scheme ('DRS') for drinks containers.
- 40.** Revenue and capital allocations for resource efficiency and the circular economy have increased – revenue by £5m (to £50.3m) and capital by £2.5m (to £40m and rising to £60m for 2023-24 and 2024-25).
- 41.** The Minister's evidence paper explained funding has been made available to finalise policy development for EPR, "along with support to local authorities and Natural Resources Wales who will be required to adapt and, in the case of Natural Resources Wales, take on new duties as the principal regulator of these reforms". In addition, "specific funding has been designated to support legislative development and implementation [in relation to a ban on SUPs]".
- 42.** The Minister said there were ongoing discussions with the UK Government about banning various forms of single-use plastic and how this might be achieved in light of the United Kingdom Internal Market Act 2020.
- 43.** The Minister explained that there were ongoing efforts to improve recycling processes including, for example, reducing "co-mingling" of materials. She said she had "written to the councils who are at the bottom of our league table in Wales", inviting them to a meeting with her to discuss progress. The Minister said she would report back on the outcome of these discussions.

Our view

There is a pressing need for the Welsh Government to progress legislative proposals for EPR for plastic packaging and a DRS for drinks containers, which are now long overdue. We expect the Welsh Government to make demonstrable progress towards making regulations in the coming months.

We note the Scottish Government has recently made the Environmental Protection (Single-use Plastic Products) (Scotland) Regulations 2021, which will come into force in June 2022. In addition, the UK Government is currently consulting on proposals for a ban on a range of single-use plastics and other sources of plastic pollution in England, having already introduced a ban on plastic straws, stirrers, and cotton buds. We note that there are issues concerning the Internal Market Act that need to be resolved, but we are keen to see the Welsh Government make progress here.

Recommendation 11. The Welsh Government should provide an update on intergovernmental discussions concerning single-use plastics, including whether an agreement has been reached on a way forward.

4. Transport

44. Transport accounts for 17% of Wales' emissions, of which 55% comes from cars. Transport decarbonisation policy is set out in Llwybr Newydd: the Wales Transport Strategy and in the Net Zero Plan. The Net Zero Plan includes three transport decarbonisation priorities:

- Reducing the need to travel including enabling around 30% of Welsh workers to work remotely, at or near to home;
- Investing in sustainable travel modes such as bus, rail, and active travel; and
- Encouraging behaviour change and modal shift to more sustainable and active modes.

45. The Deputy Minister recognised the importance of behaviour change in delivering modal shift. He said that considerations around behaviour change were new to the department and appropriate approaches were still being explored.

46. The active travel budget for 2022-2023 (£60m) shows a reduction from the previous year (£75m). The Minister's written submission says this will allow local authorities and Transport for Wales "to develop a high quality, high impact pipeline of schemes to maximise the benefit from record active travel funding in 23/24 and 24/25 where funding will be £80m in both years".

47. The Net Zero Plan indicates that for all trips unable to be made by active travel there will need to be a "rapid shift towards zero-emission technologies in vehicles". Current Welsh Government policy is for the most polluting 50% of service buses to be replaced by a zero tailpipe emission bus fleet by 2028 and for all taxis and private hire vehicles (PHVs) to be zero-emission by 2028.

48. The first low carbon delivery plan included a target that all buses would be zero emission by 2028. This target was reduced to the current 50% target (which would amount to approximately 1,200 vehicles) with the remaining 50% to be zero emission by 2035. In reference to the reduction, the Deputy Minister said "We have amended our target, because our previous target was not deliverable. I didn't see any great merit in having a target that sounded good but couldn't be achieved. So, we've tweaked that to something I think is still a stretch but is absolutely something that we need to be focusing on."

49. The Deputy Minister said that the Welsh Government had established a "specialist group with a six-month timeline to look at how we can bulk buy, in effect—how can we bring together

all the orders across the bus industry in the public sector to make sure that we are buying electric buses". He added that the aim was to ensure as much manufacturing as possible could take place in Wales.

50. In relation to taxis and PHVs, the Deputy Minister explained that "there is a scheme this year for a try-as-you-buy scheme for taxi drivers...which is giving us really useful data." However, he was unsure whether this approach was sustainable, "given how tight resources are and given that the market is already moving" in the direction of electric vehicles.

51. The Deputy Minister referred to the forthcoming Bus Bill, saying that "we are working very closely" with local authorities "on designing a bus strategy and White Paper for the next bus Bill, to properly co-produce a bus regulation system that will work with Transport for Wales."

Post-Covid recovery

52. Public transport has been hit hard by the pandemic. Passenger numbers remain far below pre-pandemic levels. When he appeared before the Committee on 20 October, the Deputy Minister said that bus passenger numbers were at 66-70% and rail passengers at 65% of pre-covid levels. The Minister's written submission states that an additional £72m has been allocated to support rail, and £28m to bus, in dealing with the impact of the pandemic.

53. The rail franchise has been taken into public ownership and both bus and rail provided with additional funding. A Bus Emergency Scheme has been established, which is expected to run until summer 2022, with further emergency funding provided beyond this. New 'umbrella partnership agreements' between operators and public authorities are also expected to be implemented.

54. The Deputy Minister told the Committee that Transport for Wales has developed a plan to increase passengers on public transport in the wake of the Covid-19 pandemic. He said this was planned for the Spring.

Embedding the sustainable transport hierarchy in decision-making

55. The Infrastructure Finance Plan which accompanied the draft budget included a commitment to modernise Welsh Government "transport grants to reflect the new Wales Transport Strategy priorities and the Sustainable Travel Hierarchy". The Minister's written submission explained that:

"The investment hierarchy's focus is on measures to manage demand, make better use of existing infrastructure (including joined up planning between

transport and land use), and on widening and promoting sustainable travel choices."

Highways and road maintenance

56. The draft budget for the Climate Change Department shows an increase in the capital budget for 'network operations' – which includes capital maintenance as well as servicing existing maintenance projects. The budget increases from £106.5m in 2021-22 to £125m in 2022-23, £190m in 2023-24 and £185m in 2024-25.

57. The Minister's evidence paper recognised that there is an estimated "£1bn backlog of capital maintenance across all asset types" on the Strategic Road Network (SRN). It said that the Welsh Government have developed a Major Asset Renewal (MAR) programme "which could be delivered over a 5 to 10 year period with time scales adjusted to match to availability of funding". The programme, however, is currently unfunded.

58. The 2021-22 local government settlement showed £20m of capital funding for highways – the final allocation of a three year maintenance grant. This funding has not been continued in the 2022-23 draft budget. The Deputy Minister said it was "a shame" that the funding could not be continued as it had been useful, but difficult decisions had to be made as funding was limited. He said that "one of the reasons why we are doing the road review" was to consider how funding could be redirected from building new roads to the maintenance of existing roads. The Ministers' written submission said that "further (*road*) resilience schemes will be considered as part of the LTF (*Local Transport Fund*)."

Our view

The Welsh Government's targets on modal shift to active travel and public transport are particularly challenging. Achieving them will require a significant change in the way that we behave as a society. This is something that the Committee is interested in and has agreed to prioritise during this Senedd term. We note the Deputy Minister's comments about exploring approaches to behaviour change and would welcome an update from him about Welsh Government progress in this area.

We would be grateful to see any assessment that has been undertaken on the impact of large increases in active travel, or large increases in numbers of Welsh residents working from home, on public transport usage.

The Confederation of Passenger Transport has expressed concern that no budget has been allocated for local bus service decarbonisation until 2023-24. This is despite the Welsh

Government having introduced a target that 50% of buses will be zero emission by 2028. We would be grateful for an outline from the Minister of the path to meeting the 2028 target, including interim targets and funding mechanisms.

We are concerned by the lack of a route map towards achieving the Welsh Government's target. This is important because it will give the industry confidence in planning investment decisions. The introduction of the initial target for all buses to be zero emission by 2028 will undoubtedly have had an impact on bus operator investment decisions, planning and operations. The target has changed from 100% to 50% of buses by 2028. We question why the Welsh Government set such an unachievable target in the first place, and how that process considered the impact of the target on the bus industry. We are concerned that such uncertainty will risk undermining confidence in the robustness of the Welsh Government's decision-making processes.

The Welsh Government has retained its target that taxi/PHVs would be zero tailpipe emission by 2028. We are concerned that this sector, with drivers mainly made up of self-employed individuals on low earnings, will not be able to achieve this target without adequate support. The capital outlay of purchasing a new electric car will be significant for many drivers. The Deputy Minister has said he is considering the level of support – we would be grateful for clarification about the engagement that has taken place with the sector on this matter and on meeting the 2028 target.

We believe that the state of roads is a cause for concern, not only because of its impact on road transport but because of the wider problems that disrepair can cause, such as culverts that cause flooding if they are not maintained. We note the Deputy Minister's comments about the redirection of funding as a result of the roads review, but this would scarcely touch the surface.

Reductions in funding for local highway maintenance, and uncertainty of future funding, reduce value for money in maintenance since it is reactive, rather than a planned and proactive asset management approach. We are concerned that without intervention, either in the form of significant investment or a different way of working, the estimated £1 billion in outstanding maintenance will only increase.

Recommendation 12. The Welsh Government should provide an update on its work on behaviour change in relation to modal shift, including further detail on how the draft budget will support this.

Recommendation 13. The Welsh Government should provide an update on any assessment that has been undertaken on the impact of large increases in active travel, or large increases in numbers of Welsh residents working from home, on public transport usage.

Recommendation 14. The Welsh Government should set out a route map for achieving its targets for 50% of buses and 100% of taxis/PHVs to be all buses be zero tailpipe emission by 2028, including details of the estimated financial cost and how this will be met. In so doing, it should consult with stakeholders in both sectors.

Recommendation 15. The Welsh Government should explain how Welsh Transport Appraisal Guidance, Welsh Government transport grant rules, and any guidance on local/regional transport plan preparation will be amended to embed the sustainable transport hierarchy and ensure value for money from Welsh Government-funded investment.

Recommendation 16. The Welsh Government should provide an update on the development of the post-Covid plan to increase passenger numbers, which is being developed by Transport for Wales. This update should include information about how the Welsh Government will assess and monitor the plan's effectiveness.

Recommendation 17. The Welsh Government should provide an update on consideration of funding schemes available to PVH and taxi drivers to transition to electric vehicles. This should include information about consultation with the sector about these matters.

Recommendation 18. The Welsh Government should set out how the significant backlog in road and highway maintenance can be addressed on both the local and trunk road network.

Recommendation 19. The Welsh Government should clarify the basis for the decision not to continue with the Public Highways Refurbishment Grant. This should include details of any assessment that was made of the impact of the decision on the local road network, as well as value for money in local highway maintenance, road safety etc.

5. Flooding

59. In October 2020, the Welsh Government published its 10-year *National Strategy for Flood and Coastal Erosion Risk Management in Wales* ('the National Strategy'). The National Strategy sets out how the Welsh Government intends to manage the risks from flooding and coastal erosion across Wales. It sets objectives and measures for all partners to work towards over the life of the document. The Programme for Government includes commitments to "additional flood protection for more than 45,000 homes" and "deliver nature-based flood management".

60. Revenue funding for Flood Risk Management and Water Revenue BEL is £41.415m, increasing by £12m (41%) from 2021-22. Capital funding is £67.1m, increasing by £21.6m. Capital funding is broken down as follows: £34m for Flood and Coastal Risk Management; £23.1m for coal tip safety; and £10m for water quality.

61. The Minister's evidence paper explained the additional funding would help meet the objectives of the National Strategy and contribute towards Programme for Government commitments by:

"investing through our Risk Management Authorities in new and improved defences, maintenance and minor works to existing assets, investigation of flood events, awareness raising activities, forecasting and warning and mapping and modelling of flood risk."

62. It added:

"We will be looking at more specific allocations over the coming months and hope to be able to provide a 3 year settlement, allowing our Risk Management Authorities to plan ahead more effectively and help deliver on the ambitions set out in our National Strategy".

63. The Minister explained the Welsh Government was in the process of undertaking a regulatory review of flood risk management to identify areas for potential improvement.

64. As a result of the Co-operation Agreement, the Welsh Government has committed to establishing an independent review of the local government section 19 and NRW reports into the 2020-21 flooding events. The Minister agreed to report back to the Committee on costings for the independent review as soon as they are available.

Our view

We welcome the increase in revenue funding in 2022-23 for Risk Management Authorities ('RMA'). We would like details of the breakdown in allocation between NRW and other RMAs.

Our predecessor Committee's report, Flooding in Wales (December 2020), recommended that the Welsh Government's approach to revenue allocation for flooding should take account of current and projected future flood risk in local authority areas. The then Minister for Environment, Energy and Rural Affairs committed to consulting local authorities on this matter. We would welcome clarification on whether any changes have been made to the Welsh Government's approach to revenue allocation as a result of this.

Recommendation 20. The Welsh Government should clarify whether it has changed its approach to revenue allocation for local authorities to take account of current and projected future flood risk, in line with our predecessor committee's recommendation.

Recommendation 21. The Welsh Government should report back on work it has undertaken to assess the cost associated with the independent review of the February 2020 flooding. This should include details of where the costs will fall and corresponding budget allocations.

Recommendation 22. The Welsh Government should report back to the Committee on the outcome of the regulatory review of flood risk management, including the next steps.

6. Natural Resources Wales

- 65.** Natural Resources Wales' ('NRW') core Grant In Aid ('GIA') remains unchanged since the 2021-22 final budget at £60m.
- 66.** NRW will also receive grant funding (revenue and capital) for projects which are outside its GIA, for example, £1.5m to deliver the National Peatland Action Programme. The total level of grant funding allocated to NRW for such projects is not clear. NRW is allocated £2.4m capital, an additional £1.5m from 2021-22 to "help support funding for Welsh reservoirs".
- 67.** The Minister had previously told the Committee that a review was being undertaken to examine NRW's allocation of resources against its statutory functions and the Programme for Government commitments. The Minister explained that this was a "fundamental" review that had arisen out of a recognition that there had been a degree of "mission creep", and there needed to be clarity about what was expected from NRW based on the baseline funding it receives. The Minister said that additional funding was made available for NRW to undertake work in addition to that which is funded by the baseline funding. For example, in-year funding had been allocated for work on flooding.
- 68.** The Minister said the review would consider whether current arrangements for funding NRW need to change. For example, NRW currently receives income from the sale of timber. The review would consider whether this was an appropriate way to fund a public sector organisation, particularly as NRW would take on the risks of exploiting its assets.
- 69.** The Minister referred to several end-to-end process reviews being undertaken by NRW, which would ensure that processes were efficient. This would then enable NRW to make a judgement about the staffing resource needed to deliver these processes. In response to a question, the Minister confirmed that the review would focus on outcomes but added that "to get the outcome, you've got to have the right processes in place, and the right resources in place."
- 70.** NRW has estimated that enforcing the Control of Agricultural Pollution (Wales) Regulations 2021 will require 60 extra staff to deliver the "minimum viable product" but "well over 200" to deliver the "full role". NRW's review of the February 2020 flooding found it will require approximately 60 to 70 staff over the current baseline to ensure long term, sustainable improvements in flood management services. In reference to the suggested additional staff that would be required, the Minister said this would be considered by the review:
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"So, on your 60 extra staff, 200 extra staff, are they extra, or are they people who were previously looking at tree-planting schemes who can now be freed up to do something else? It's that kind of exercise, isn't it, that we're really looking at?"

Our view

Our work on priorities for the Sixth Senedd, and the marine environment, has highlighted widespread concern among stakeholders about NRW's ability to effectively carry out its roles and responsibilities due to a lack of capacity and resources. This includes concerns about its ability to monitor and enforce environmental protection laws; respond to incidents of environmental pollution and flooding; monitor and assess the condition of terrestrial and marine sites; and support land use and marine planning.

NRW's regulatory responsibilities are increasing, most recently with new responsibility for enforcement of the Water Resources (Control of Agricultural Pollution) (Wales) Regulations 2021 ('the 2021 Regulations'). In the coming years, NRW will take on responsibility for designating a new National Park and for regulating new waste management reforms.

While we acknowledge that work is underway to review NRW funding, it is unclear why the cost of enforcing the 2021 Regulations has not been reflected in the budget allocations. We would like the Minister to address this issue.

The Welsh Government must use the start of the Sixth Senedd as an opportunity to reverse the historic trend of cuts in NRW funding. We expect the current review to result in a funding settlement for NRW which properly reflects its statutory responsibilities and the tasks it is expected to perform.

Recommendation 23. The Welsh Government should provide details of work undertaken to assess the costs associated with enforcement of the Water Resources (Control of Agricultural Pollution) (Wales) Regulations 2021 and explain why these costs have not been reflected in the budget allocations.

Recommendation 24. The Welsh Government must ensure that funding for NRW is commensurate with its roles and responsibilities. We expect to see an increase in NRW funding following the outcome of the baseline review.

7. Marine

71. The BEL 'Marine Policy, Evidence and Funding' is allocated £1.9m of revenue funding. This BEL funds monitoring of the implementation of the Welsh National Marine Plan (WNMP), as well as delivering some specific WNMP policies. There are no proposed changes in the indicative allocations for 2023-24 and 2024-25.

72. The Minister's evidence paper said, "budgetary allocations to support Marine Protected Area (MPA) management will be comparable to last year's budget". The Minister's written submission says that "Proposed actions continue to be invited annually and where appropriate can be considered for funding through the MPA Network Management Grant Scheme".

73. A Welsh Government official confirmed during scrutiny of the 2021-22 draft budget that a project was underway "looking at identifying pre-consultation sites for designation of MCZs". However, no new MCZs have been designated.

74. In response to a question about the funding for marine energy and the "deep dive" into renewable energy, the Minister recognised that the Welsh Government was seeking to encourage "especially innovative potential global industries" while "protecting our extremely beautiful and pristine marine conservation areas". She added that "we're running in parallel with that the whole issue around whether we should extend the MPAs and what we should do with that, and we'll be doing that very shortly".

75. The Minister and Deputy Minister were questioned about whether the funding allocated to marine policies was sufficient to reflect the Welsh Government's ambitions for conservation *and* renewable energy. The Minister said the Welsh Government would be working with NRW to undertake an "end-to-end look at marine energy consenting processes" to ensure it is efficient and effective, as well as undertaking the fundamental review of NRW functions (discussed in Chapter 7).

76. In response to a question about the potential to leverage funding from elsewhere for activities such as evidence gathering in the marine environment, the Minister said these issues were subject to ongoing discussions with stakeholders such as the Crown Estate. She added:

"we expect the big renewable developers with accepted ways of generating energy to contribute both in community funds and others to marine environment protection and to energy transmission and so on, but part of what we'll be doing is working out what does that look like, how does the split look like and so on."

77. In reference to the scale of the challenge around evidence gathering the Minister said that innovative approaches to evidence collection were being considered and the Welsh Government had been learning from experiences in Scotland and Canada around marine evidence gathering.

Our view

In December 2021, the Committee undertook a short piece of work on the marine environment, which considered Welsh Government marine policies. That report makes several recommendations that are relevant to this chapter, including in relation to Marine Protected Areas and renewable marine energy.

We recognise that the purpose of the renewable energy deep dive was to remove barriers to development. A review to streamline the consenting process is to be welcomed. However, there is a severe lack of a robust evidence base to underpin development decisions and there are, consequently, inherent risks in ramping up development.

We are pleased that marine evidence gathering is subject to ongoing discussions and would be grateful for an update from the Minister on progress.

We are disappointed by the ongoing lack of progress in the designation of MPAs and MCZs and we would be grateful for an explanation from the Minister of the reasons for this.

Recommendation 25. The Welsh Government should explain the lack of progress on the designation of MPAs and MCZs, and set out a timetable for designation.

Recommendation 26. The Welsh Government should provide an update on how it will support increases in marine evidence gathering and data sharing, to the scale that is necessary to respond to the anticipated increase in marine renewable energy development.

8. Environmental governance

78. The Welsh Government has committed to legislating to establish an environmental governance body for Wales. The timing of this remains uncertain. As an interim measure, the Welsh Government appointed an Interim Environmental Protection Assessor ('the Interim Assessor') to oversee the functioning of environmental law.

79. Revenue funding for the Environment Legislation and Governance BEL is fixed at £181,000 per year for the next three years.

80. According to the Minister's evidence paper, funding from the Environment Legislation and Governance BEL will be used "for the development of permanent environmental governance measures". Costs incurred for the Interim Assessor are met from the EU Exit BEL.

81. The Minister reaffirmed the Welsh Government's commitment to establishing an environmental governance body and statutory biodiversity targets, although she did not provide any further details on timing.

Our view

The Minister has previously committed to providing us with an update on progress made towards the development of an environmental governance Bill before the end of March 2022. We expect this to include details of any work the Welsh Government has undertaken or plans to undertake, to assess the cost associated with a new environmental governance body.

We have already called for the Welsh Government to bring forward an environmental governance Bill in the second year of the Sixth Senedd and legislate for biodiversity targets. We repeat that call.

Recommendation 27. Before the end of March 2022, the Welsh Government should provide an update on progress made towards the development of an environmental governance Bill. This should include details of any work undertaken, or planned work, to assess the cost associated with a new environmental governance body.

9. Nature recovery

82. In June 2021, the Sixth Senedd declared a nature emergency in recognition of the decline in biodiversity at a global and domestic level. In doing so, it set out its expectations for stronger action to address biodiversity loss, including statutory biodiversity targets, and the establishment of a statutory environmental governance body for Wales.

83. Following the Co-operation Agreement (December 2021), the Programme for Government was updated to include a commitment to “work towards the establishment of an Environmental Governance Body, a statutory duty and targets to protect and restore biodiversity”.

84. The Welsh Government’s Nature Recovery Plan sets out how it will address the Convention on Biological Diversity’s Strategic Plan for Biodiversity 2011-2020 and the associated Aichi biodiversity targets. The fifteenth meeting of the Conference of the Parties (COP15) to the Convention on Biological Diversity will take place in May 2020 where a decision on the Post-2020 Global Biodiversity Framework will be taken.

85. Revenue funding for the Biodiversity, Evidence and Plant Health BEL has increased from £6.6m (2021-22) to £13.6m (2022-23). Capital funding for this BEL has decreased from £21m to £20m in the same period but increases to £25m for 2023-4 and 2024-25.

86. Revenue funding for the Enabling Natural Resources BEL remains unchanged from 2021-22, but capital has decreased from £6.4m (2021-22) to £2m (2022-23).

87. The Minister’s evidence paper said funding initiatives such as the Nature Networks Programme, Local Places for Nature, the National Peatlands Action programme and Natur am Byth would help to “deliver nature to wherever people live through engagement with local communities” and “build capacity within the sector to help deliver action on the ground”. It also said :

“[The investment] will directly contribute to the delivery of key priorities and actions identified in our Nature Recovery Action Plan relating to the protection of our habitats and species of principal importance and the creation of resilient ecological networks.”

88. When asked whether the Welsh Government had assessed the impact of investment decisions on biodiversity, the Minister’s official stated:

"...it's important, from the budget perspective, that we do an overall impact assessment on the budget and, as we go into the financial year, we present to the Minister programmes and projects and then individual impact assessments are done on that basis...So, the detail on specifics is not done quite yet."

89. The Minister's evidence paper highlights that the UK Government has not provided EU LIFE replacement funding. It states that discussions are ongoing with the UK Government and the devolved administrations on any potential UK replacement scheme.

90. The Minister announced that she would be undertaking a deep dive into biodiversity in Spring 2022, in conjunction with Natural Resources Wales.

91. The Deputy Minister said he had met with the Chair of Natural Resources Wales in November 2021 to discuss the development of a business case for a National Nature Service ('NNS'). The proposal for a NNS was one of the priority actions identified by the Green Recovery Task and Finish Group.

Our view

Urgent, transformative change is required to address the nature emergency and reverse the trend of biodiversity loss. We welcome the increase in direct spending to support biodiversity. However, there is a lack of clarity about the total level of investment within the Minister's portfolio, and across Government more widely, to deliver nature recovery. There is also a lack of clarity about how the impact of such investments on biodiversity will be assessed and monitored. We would like a more detailed explanation of the Welsh Government's approach to this.

The Committee welcomes the Minister's announcement about the deep dive on biodiversity and we would be grateful if the Minister would provide further information about the purpose and timescales for this work. In due course, we would be grateful for an update on any changes in budget allocations arising from the recommendations of the deep dive.

We welcome the Welsh Government's commitment to introduce statutory biodiversity targets. We expect to see demonstrable progress towards the development of proposals (see environmental governance section).

The Minister should set out her position on the proposal for a National Nature Service and provide an indication of when she expects to have decided on the proposal. The Minister should report to the Committee on her final decision.

Discussions between the UK Government and the devolved administrations about a UK replacement scheme for EU LIFE funding have been ongoing for some time and any prospect of this being resolved appears to be fading. The Minister should clarify what steps they will take to address this impasse and find a way forward.

Recommendation 28. The Welsh Government should explain how it will assess and monitor across Government the impact of action and spending decisions on nature recovery.

Recommendation 29. The Welsh Government should clarify the terms of reference and the timescales for completing the deep dive into biodiversity as soon as possible.

Recommendation 30. The Welsh Government should provide an update on progress on the development of biodiversity targets and information about the timescales for their introduction.

Recommendation 31. The Welsh Government should set out its position on the proposal for a National Nature Service and provide an indication of when a decision is expected on the proposal. The Welsh Government should report to the Committee on that decision once it has been made.

10. Forestry and woodland

92. There is a £4m increase in revenue funding for Forestry (BEL 2827) taking funding to £5.2m, an increase of 328%. The additional funding comes from reserves. Capital funding doubles to £9m.

93. The Deputy Minister told the Senedd in July that Wales needs “to plant 43,000 hectares of new trees by 2030, rising to 180,000 hectares by 2050” to reach net zero. This is a greater planting rate than outlined in the Welsh Government’s 2018 woodlands strategy (at least 2,000 ha per year between 2020 to 2030) and in the 2019 low carbon delivery plan (2,000 ha per year, increasing to 4,000 ha per year as soon as possible). These ambitious targets are set against the backdrop of very low current planting rates. In the decade 2010 to 2020, the average planting rate was 430 ha per year. This dropped to 80 ha in the year to March 2020 before rising to 290 ha in the year to March 2021.

94. The First Minister launched the national forest programme in 2020. The Minister’s written submission said the budget progresses the programme by funding 30 new areas of national forest, 100 ‘tiny forests’, and offering every household a tree to plant or have planted on their behalf. This is additional to 14 exemplar sites already identified. The written submission also says the Welsh Government will consult on a strategy for the national forest in January 2022.

95. In 2021, the Deputy Minister initiated a “deep dive” looking at removing barriers to planting and using more Welsh timber in construction. Recommendations included a new funding scheme for woodland creation and a strategy to coordinate timber supply and construction. The Minister’s written submission says the budget enables both to be delivered, with the funding scheme being launched in 2022.

96. The Deputy Minister referred to opportunities to bring in private investment to support tree planting and recognised that this had been contentious in some cases. He explained that:

“to meet our ongoing commitments on tree planting, as recommended by the UK climate change committee to achieve net zero, we need to increase our annual tree planting 50-fold. Now, we are not going to be able to afford to do that simply by using public money...Now, how we choreograph that in a way that doesn't see the wealth generated, the benefit generated exported, so we continue this extractive economic model that Wales has been plagued by for centuries, is a key policy challenge, and one that we are grappling with at the moment.”

97. The Deputy Minister referred to an example in Carmarthenshire, where residents were objecting to proposals for a private equity investment company to "take over a farm and plant that largely with conifer". He said that this was a cause of real local tension and added that it "goes to show that doing this, and levering in private investment, the detail of how we do that is so important, lest we alienate people and push people back from the policies that we all need to see to achieve climate change." The Deputy Minister said that, as a consequence of the deep dive on barriers to tree-planting, a group had been established to consider and make recommendations about how "we can draw in external finance in a way that avoids these pitfalls".

98. The Deputy Minister referred to the initiative to give everyone in Wales a tree to plant or to be planted on their behalf. He said this was "as much about public engagement and attitude changing and giving people an individual sense of feeling towards nature and making them think about the impact of their own behaviour, what they personally can do, as it is about carbon sequestration". He acknowledged that the "0.5 million trees" that had been budgeted for were "nowhere near our target of 86 million trees by the end of the decade" but would make an important contribution in terms of behavioural and attitudinal change.

Our view

The ongoing underachievement concerning tree-planting is a recurring theme in Senedd committee reports on draft budgets. This year is no exception. We are, however, pleased that the Deputy Minister convened the deep dive on barriers to planting. We will wait to see the outcomes of that work, including a new funding scheme to be launched in 2022.

We are pleased that the Deputy Minister has identified that the introduction of private sector finance through companies purchasing farmland has already caused considerable concern in rural communities. We would be grateful for an update on the work of the group that has been tasked to consider issues in relation to funding planting on the scale that is necessary.

We have agreed to prioritise consideration of forestry policies including the National Forest, and progress towards delivery of the deep dive recommendations and the new Woodlands for Wales Action Plan. We will undertake this work in 2022-23.

We note the Deputy Minister's comments about providing individuals with a tree to plant or to be planted on their behalf. We recognise that the primary aim of the initiative is behaviour change. We would welcome an update on the take-up of this scheme and information on the criteria that will be used to determine whether it has been a success.

Recommendation 32. The Welsh Government should provide an update within the next 6 months on the progress of implementing the recommendations of the deep dive on barriers to tree planting.

Recommendation 33. The Welsh Government should provide further information on the work of the group that has been tasked to consider issues in relation to using private finance to fund tree planting on the scale that is necessary.

Recommendation 34. The Welsh Government should provide an update within the next 6 months on the take-up of the scheme to provide individuals with a tree to plant or to have planted on their behalf. This should include information on the criteria that will be used to determine whether it has been a success.

11. Digital infrastructure

99. Telecommunications is reserved, meaning Welsh Government interventions in this area are limited to grant funding and using devolved policy levers – such as planning and business rates – to encourage private investment. The Welsh Government’s **Digital Strategy** notes:

“We will invest to support service delivery where there is a case for it, however, we must also focus on ensuring that the UK Government fulfils its responsibilities in Wales.”

100. Since 2014, superfast broadband coverage in Wales has improved dramatically, and almost converged with the UK average. 4G coverage has also improved significantly, but a persistent gap with the UK average remains.

101. These improvements have followed public investment led by the Welsh Government through its Superfast Cymru programme. BT was paid approximately £220m to bring superfast broadband to about 96% of premises between 2014 and 2018. BT is currently running a successor scheme for the Welsh Government to connect 39,000 additional premises. The Welsh Government is contributing £24m of a total of £59 million in public funding.

102. Grants from the Welsh and UK Governments are also available for individuals and groups to improve their connections. These schemes are demand-led and have no connectivity targets.

103. Mobile networks have largely been left to commercial deployment, with government levers used to incentivise rollout on the edges of commercial viability. A £500m UK Government investment will see the creation of a “Shared Rural Network”. By the end of 2025, 4G coverage from all operators in Wales should increase from 60% to 80%.

Our view

We note the progress that has been made in improving connectivity although there are ongoing concerns in several areas. The Welsh Government has said that it will ensure that the UK Government fulfils its responsibilities in what is a reserved policy area. We would be grateful for further information from the Welsh Government on this matter, including any areas of concern it has. Further, we would be grateful for information from the Welsh Government about any assessment it has made of whether there is a funding shortfall; the amount and impact of the shortfall; and whether Welsh Government budget allocations are sufficient to fill UK Government funding gaps.

Recommendation 35. The Welsh Government should clarify whether it has quantified a specific UK Government funding shortfall in relation to digital connectivity and, if so, provide details of any connectivity targets the figure is based on. The Welsh Government should explain whether its budget allocations in this area are sufficient to meet any UK Government funding shortfall.