

# Environment and Sustainability Committee

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Meeting Venue:

**Committee Room 3 – Senedd**

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Meeting date:

**Wednesday, 4 March 2015**

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Meeting time:

**09.30**

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Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales



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## Agenda

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### **1 Introductions, apologies and substitutions**

### **2 Scrutiny of the Minister for Natural Resources (9:30 – 11:00) (Pages 1 – 46)**

Carl Sargeant AM, Minister for Natural Resources

Andrew Slade, Director, Agriculture, Food and Marine

Matthew Quinn, Director, Environment and Sustainable Development

Neil Hemington, Head of Planning

Tony Clark, Head of Finance, Natural Resources

E&S(4)-07-15 Paper 1

E&S(4)-07-15 Paper 1 Annexe

### **3 Scrutiny of the Deputy Minister for Farming and Food (11:00 – 12:00)**

(Pages 47 – 72)

Rebecca Evans AM, Deputy Minister for Farming and Food

Andrew Slade, Director, Agriculture, Food and Marine

Graham Rees, Deputy Director, Marine & Fisheries  
Tony Clark, Head of Finance, Natural Resources

E&S(4)-07-15 Paper 2

#### **4 Papers to note**

**Inquiry into energy efficiency and fuel poverty: Correspondence from the Minister for Natural Resources** (Pages 73 – 86)

E&S(4)-07-15 Paper 3

# Agenda Item 2

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## **Minister for Natural Resources**

### **Environment and Sustainability Committee**

**Wednesday 4 March 2015**

1. This paper responds to the Committee's e-mail of 21 January identifying particular topics and information it would like to receive in advance.

#### ***Energy Policy***

2. The Energy Wales Delivery Plan, published in March 2014, describes our commitment to focus and prioritise our effort in three key areas: providing leadership; maximising benefit for Wales in terms of jobs and wider economic benefit; and acting now for Wales' long term energy future.
3. Marine energy is recognised as providing a significant contribution towards achieving our renewable energy aims and as such has been identified as a priority for Welsh deployment of Structural Funds for 2014-2020. Working with the Crown Estate we have identified two wave and tidal test and demonstration zones in Welsh waters. In July, the Crown Estate announced Wave Hub and Menter Môn as third party managers for the zones; they will be responsible for site management, marketing and promoting the zones, preparatory activity and subletting areas to developers.
4. This year, we will also be partnering with the Scottish Government and the Crown Estate to co-fund a UK wide research partnership. The evidence gathered will be publically available and will reduce risks and burdens on developers and regulators in Wales, enabling timely decisions on applications. We will continue to work with the Crown Estate to promote demonstration zones for marine devices and work with partners to utilise Structural Funds to support the emergent Marine Energy sector in Wales.
5. We have also worked extensively with wind developers to maximise the benefits for Welsh businesses and communities. We have developed an overall plan for mid Wales wind developments, including workforce needs analysis, which, subject to consent of the wind projects, will result in a training and development plan for local businesses.
6. I am committed to the delivery of community benefits, and in the spring of 2014 we launched a Register of Community and Economic Benefits which in its first year is focussing on onshore wind operations. The register gives information on the benefit received from consented and operational renewable energy schemes in Wales, and illustrates how the benefits are being delivered. We will be expanding the Register in order to report a wider range of economic data, and to encompass a greater range of renewable energy technologies.
7. We have also committed £5m from our Financial Transactions Allocations to set up our Green Growth Fund in 2015/16, which in future years will invest in projects that improve energy efficiency and generate renewable energy. This year, we will develop the financial offering and establish the fund, and we will identify and develop eligible projects to an investable state. On 9 February our Green Growth

Steering Group published a Green Growth Baseline Study. The main purpose of this research was to test the definition of green growth as developed by the OECD.

### ***Energy Efficiency***

8. I will continue to tackle fuel poverty through investment in our successful energy efficiency programme and I will set out the further actions to be taken forward through the development of an energy efficiency strategy. The strategy will not only set out Welsh Government actions, but will also focus on encouraging and incentivising action by others where appropriate.
9. Our Energy Efficiency programme includes both demand-led and area-based schemes and this enables us to offer some support to the poorest households across Wales whether they live in the most deprived areas or not. This year we are making a significant investment of £70 million into the programme despite wider cuts to Welsh Government budgets.
10. From April 2011 to March 2014, Nest has provided advice and support to over 56,000 households, with over 13,400 of these receiving free home energy improvements. These improvements are estimated to deliver energy bill savings averaging over £475 per household per year, making a real difference to low income households. It is being independently evaluated, and I expect to publish a report on the evaluation before the end of this financial year. The findings of this report will help inform the development of any future demand-led, fuel poverty scheme.
11. The current Arbed 2 ERDF programme runs from April 2012 to June 2015. Each home improved has received a 'whole house' energy assessment and efficiency measures such as External Wall Insulation (EWI), new boilers and heating controls. Arbed 2 has completed, or is currently delivering, 32 schemes in 19 of the 22 local authorities.
12. The Arbed 2 programme also contributes to eradicating fuel poverty by targeting the most inefficient homes in the areas with the lowest income, and by providing local economy and employment opportunities through local SMEs. We will be submitting a bid to attract funding from the next round of EU programmes to support the future delivery of area based schemes.
13. Alongside the additional ECO investment in Nest and Arbed, we have made grant funding available to local authorities to deliver their own local energy efficiency schemes. These schemes target deprived communities, leverage investment from the energy company obligation and support wider programmes of work in their area including those delivered through Vibrant and Viable Places.

### ***Building Regulations***

14. The amendment regulations to introduce changes to Part L of the Building Regulations came into force on 31 July 2014. These changes meant that new dwellings would be 8% and non domestic buildings 20% more energy efficient when compared to the Building Regulations 2010 and also maintain our goal of reducing carbon emissions in Wales by introducing higher energy efficiency

standards for new buildings. We will review Part L again in 2016, the review is intended to be the next step in a progression towards the EU target of nearly zero energy buildings by 2019 (new public buildings) and 2021 (all new buildings).

15. Significant improvements were also made to how we regulate building work in existing buildings, with any extensions or integrated conversions to buildings required to meet improved standards of fabric efficiency, built from materials that are as thermally efficient as any new home in Wales.
16. Further amendments introduced a staged approach to the introduction of residential automatic fire sprinkler systems, initially applying to high risk properties such as care homes, new and converted student halls of residence, boarding houses and certain hostels from 30 April 2014. From January 2016 the requirements will apply to all new and converted dwellings.
17. Most executive functions in the Building Act 1984, including the power to make building regulations are devolved to Welsh Ministers but functions relating to excepted energy buildings or exercisable by the Secretary of State as a Crown authority under the Building Act are not devolved. The 2014 Silk Commission Part 2 report into devolution in Wales recommended the transfer of residual functions to Welsh Ministers. This and other recommendations in the report will be considered once the UK Government response is published.
18. It is anticipated that Wales building regulations policy and targets will diverge and in 10 years time Welsh building regulations may be significantly different to those in England. In order to support our aspirations we will continue to develop regulations in a way that recognises the range of skills and resources available across the construction industry in Wales.

### ***Climate Change***

19. Following the Oral Statement I made last October, we are now concentrating on the action we can take in order to deliver against the priorities (Driving out climate risk; Driving down emissions; Driving up Energy Efficiency; and Driving forward Low Carbon Energy).
20. However, we need to be clear that this is not about Government action alone - if we are to successfully act on climate change it will take the combined efforts of all sectors. There is however significant momentum for change across Wales and of course internationally in the run up to Paris in December 2015. On the 4 March I will make an Oral Statement, highlighting how we are taking forward actions on climate change.

### ***Flood and Coastal Erosion***

#### **NRW Wales Coastal Review**

21. On 5 January 2015 NRW published the Coastal Delivery Plan to take forward the 47 recommendations contained within the Coastal Flooding Review. This collaborative project involves all risk management authorities around Wales.
22. The Delivery Plan sets out how the recommendations can be progressed including agreed leads, outputs to be delivered and expected timescales. We are



already working hard to deliver its recommendations and to date, 7 are complete, 33 are ongoing and 7 are to commence.

### Shoreline Management Plans (SMPs)

23. All four SMPs covering the Welsh coastline were signed off in 2014. SMPs are important to help direct our future investment and will influence how we prepare our coastal communities against the effects of sea level rise and climate change. Whilst non-statutory, these 'living documents' form a part of our flood and coastal strategy and play an important role in forward planning.
24. Officials wrote to all Chief Planning Officers and local authority Lead Flood Officers in January, informing them that the SMPs have been approved and that planning decisions along the coast should have regard to these plans.

### ***Nature Recovery Plan***

25. The consultation on the Nature Recovery Plan for Wales was the Welsh Government's first step to defining the direction of travel for biodiversity action in Wales, in the context of our commitment to putting in place an integrated approach to natural resource management, and fulfilling our international commitments under the Convention on Biological Diversity (CBD) and the Aichi and EU targets over the next five years.
26. The consultation closed on 3 December 2014 and I recently attended a meeting of the Wales Biodiversity Strategy Board (WBSB) to discuss the consultation responses and the next steps. As a result we are working with the WBSB to produce an action plan that will focus on developing the strategic actions identified in the consultation which will compliment the introduction of the legal framework for action through the Environment Bill.
27. This will ensure that we meet our commitment to have a biodiversity strategy and action plan in place by the end of 2015 and I will be making a written statement fully outlining the next steps shortly.

### ***Nature Fund***

28. I announced the final make up of the projects receiving support from the Nature Fund in November 2014. In total 19 innovative and collaborative projects will receive funding across the seven Nature Action Zones. These projects will provide a number of benefits through a variety of activities specified by the Fund, including; landscape scale upland management; restoring habitats and establishing mechanisms to create green growth opportunities for farmers and land owners.
29. In addition, the Nature Fund is also directly investing in the creation of 30ha of native woodland in the Llynfi Valley Bridgend. The project will create woodland on a former colliery and washery site and in doing so aims to increase the value of the land and provide a number of wider public benefits to the surrounding community.
30. Work has now commenced on all the Nature Fund projects; information on progress when it becomes available is communicated to our stakeholders through the Departmental News Bulletin and on our website. Plans are now

being finalised for the monitoring and evaluation of the Fund as a whole which will draw on the individual monitoring and evaluation undertaken by each project.

31. The projects are aiming to complete as much of the 'on the ground' activities as possible by the end of this financial year, however due to the delays in announcing the final projects receiving support at the latter end of 2014, we will be working with the projects into the next financial year to ensure the integrity of the projects can be delivered as planned.

### **Forestry**

32. The forestry-related proposals in the Rural Development Programme (RDP) funding application (2014-2020) include a bid for financial support to enable woodland recovery from the effects of *Phytophthora ramorum*. These proposals are currently being negotiated with the European Commission.
33. My officials are currently working with NRW and the private sector on a programme for the recovery from *P. ramorum*. Following a workshop (which included wide stakeholder representation) and subsequent meetings, 24 recommendations have been made, some of which are already being worked up.
34. The recommendations cover issues such as strategic priorities, certification and regulation (i.e. looking at felling regulations and processes in respect of diseased trees), harvesting and marketing operations, social and economic impacts, restocking and species diversity and wider environmental issues (such as working with tree nurseries and the horticultural industry in order to introduce a system to provide better information about the provenance of nursery plants and saplings).
35. Many of the recommendations in the programme for recovery are dependent on financial support through RDP and once confirmation has been received in this respect a formal submission will be made to me for decision on their implementation.

### **Marine and Fisheries**

36. My priorities are to maximise the economic and social benefit to Wales from the use of our marine resources, and to ensure that this is done sustainably so as not to jeopardise the availability of those resources for future generations.
37. The delivery of these overarching aims needs to be seen in the context of the European statutory obligations that the Welsh Government must meet. The two most important are the implementation of the Common Fisheries Policy (CFP), and Marine Strategy Framework Directive (MSFD). Both CFP and MSFD contain challenging targets that we simply must meet.
38. The delivery of the first draft National Marine Plan for Wales will support those and I remain committed to delivering a Marine Plan for Wales during this Assembly term. The plan will take a 20 year outlook initially to develop the detail, covering Welsh inshore and offshore waters. It will clarify marine objectives and priorities, providing direction towards consistent, evidence based decisions for the sustainable use of our seas.

39. The Marine and Fisheries Strategic Action Plan sets out challenging targets for the growth of the Aquaculture sector in Wales. We view the development of aquaculture as an important component of blue growth in Wales. The targets which require the industry to effectively double production from 2011 levels would keep Wales as the number one producer of farmed shellfish in the UK. I will be setting out an Aquaculture Strategy developed in collaboration with the industry and research institutions this year, to support that target and to ensure more long-term economic benefits for Wales.
40. The European Maritime and Fisheries Fund (EMFF) will provide a platform of investment into the fisheries and aquaculture sectors in Wales, securing a sustainable future for the industry. EMFF will help to implement the Common Fisheries Policy and ensure the future of fisheries management is underpinned by appropriate evidence.
41. We are committed to contributing to an ecologically coherent network of marine protected areas and to ensuring that our sites are well-managed by the end of 2016. We are working to do more to strengthen the protection for birds within the network and we continue to work to identify areas for harbour porpoise. We will be discussing this work with stakeholders in the near future.

#### **Driftnet ban**

42. We have made a major contribution to the UK response to the European Commission proposal to prohibit the use of any kind of driftnet in EU waters. This prohibition was intended to apply from 1 January 2015, subject to agreement with Member States and the European Parliament.
43. The proposal particularly described problems with cetacean, sea turtle and seabird by-catch in the use of driftnets and the inadequate enforcement of the existing EU regulations, particularly in the Mediterranean. In our contribution we have indicated that it is highly unlikely that there is an issue of a by-catch of vulnerable species in our Welsh inshore driftnet fisheries.
44. In responding to the Commission we have stated that there must be an appropriate derogation for the UK and other Member States in a similar position which specifies a smaller driftnet mesh size range than used in the large scale pelagic driftnet fisheries, coupled with a zonal element, within Member States 12 mile zone for example.
45. We are now awaiting the Commissions response to this additional information. With agreement needed between the Member States and the Commission and also subject to discussion in the European Parliament, the proposed ban will therefore not be implemented for the time being.

**Carl Sargeant AM**  
Minister for Natural Resources  
February 2015

**Minister for Natural Resources**

**Environment and Sustainability Committee**

**Wednesday 4 March 2015**

**Financial Scrutiny**

1. This annex responds to the Committee's e-mail of 21 January identifying particular financial information it would like to receive in advance.

***Changes made within the portfolio as a result of the two Supplementary Budgets 2014-15, compared to the Final Budget 2014-15, to BEL Level***

2. There were no budget changes made within Supplementary 1, and the following were actioned as part of Supplementary 2.

Near cash

- £12.981m in year savings returned to reserves as requested by the Finance Minister to support additional investments into the NHS;
- £8.8m resource to capital switch to fund pressures (see breakdown under capital);
- £1m Flood funding brought forward from 2013-14 under the Budget Exchange Mechanism (BEM) to support the re-profiled programmed flood prevention schemes delayed as a result of the emergency flood repairs which were undertaken due to last years winter storms;
- £2.5m Invest to Save (ITS) funding from reserves into the NRW budget for Natural Resources Wales ITS successful bid;
- £2.392m Wind farm Income from NRW to reserves in respect of expected income from wind farm leases;
- £0.167m from clean energy programme to EST in respect of Energy programme resources, which transferred to EST during the last portfolio change in July;
- £0.365m from the Landscape and Outdoor Recreation Action to EST in support of Free Swimming and the Schools Sports programme which transferred to EST during the last portfolio change in July;
- £0.450m from the NRW budget to Central Services and Admin (CS&A) MEG to transfer to Departmental Resource Costs (DRC) to fund Forestry staff who joined WG following the formation of NRW;
- £0.038m from Climate Change Action budget to the CS&A MEG as a contribution to the 'Size of Wales' Africa programme;
- £0.030m from Single Payment Administration budget to CS&A in respect of Land Tribunals, which now resides in their portfolio;
- All the intra MEG transfers were actioned to realign budgets for improved reporting and to fund a number of pressures across the MEG;

Non cash

- £5.706m from reserves to cover increased depreciation costs of NRW's ICT infrastructure system;

- £0.670m from reserves to cover the depreciation costs arising from the implementation of the RPW Online IT system after initial capital investment.

#### Capital

- £5m Flood funding brought forward from 2013-14 under the Budget Exchange Mechanism (BEM) to support the re-profiled programmed flood prevention schemes delayed as a result of the emergency flood repairs which were undertaken due to last years winter storms;
- £8.8m additional capital from a near cash to capital switch to fund the following pressures:
  - New Farm Entrants: £1.6m (a capital grant with revenue funding)
  - EID Cymru: £0.3m (development funding)
  - CAP Reform: £6.9m (Investment of ICT infrastructure)
- £2.74m from Communities and Tackling Poverty portfolio to part fund Arbed Phase 2 - this is the final year of a three year agreement;
- Various intra MEG transfers to realign budgets and ease pressures across the Meg.

#### ***Details of any additional funding provided to NRW in 2014-15 on top of grant-in-aid shown in the Final Budget 2014-15.***

3. At the start of this financial year (2014/15) NRW planned for a balanced budget of £191.4m. The current forecast is:
  - **Annual income £203.3m** (primarily due to £5m of additional income from Welsh Government for Invest to Save initiatives, Natural Resource Management trials, and additional commercial income).
  - **Annual expenditure £202.2m** (reduced from £202.7m by increased efforts on internal costs.)
  - **Forecast Outturn: £1.1m surplus** at the year end, (plan to carry forward to 2015/16).
4. Please see below the individual projects which have received a commitment for additional support. These figures relate to provisions which will be paid in 2014/15. **To note** that there are likely to be additional payments before year end but the exact figures are unknown as yet

Invasive Non Native Species Research ( preparation for new legislation)	£138,500
Appraisals for water strategy	£8,000
A465 additional capacity for scheme assessment ( EST funded)	£128,700
Glastir Advanced - Water Quality	£470,000
Seascape characteristic assessment	£35,000
Welsh Marine Plan	£40,595
Burry Inlet Cockle Fishery	£75,000
Waste data stream	£138,500
Fly Tipping Action Wales	£185,000
Natural resource management area	£1,000,000

trials	
Nature Fund (Llynfi project)	£627,000
Flood Capital - WEFO Convergence Funding	£190,000
Flood Capital - Wales Infrastructure Investment Plan	£8,150,000
Transfer of IDBs	£296,500

### **Nature Fund**

5. The following table sets out the allocated funding to each of the Nature Fund projects. It also shows the projected payments from the fund to each project and a note on whether payments are in arrears or in advance.

Project Title	Nature Fund Award	Payment to end January 2015	Payment Forecast end March 2015	Projected final payment totals for 2015
<b>Coed Cymru &amp; River Trusts</b>	£658,500	0	£373,600	£284,900
<b>Berwyn &amp; Migneint, Black Mountains and Radnor Upland Recovery Project</b>	£241,800	0	£241,800	0
<b>Natural Buzz - a project to support the Action Plan for Pollinators</b>	£130,000	£108,000	£22,000	0
<b>Cynllun Gwella Dyffryn Elwy Habitat Improvement Project</b>	£180,000	0	£180,000	0
<b>Llyn Partnership Coastal Connectivity</b>	£200,000		£30,000	£170,000
<b>Unwanted vegetation and restoration of peatlands</b>	£132,000		£132,000	0
<b>Long Forest nature funding proposal</b>	£190,000	£121,550	£45,900	£22,550
<b>Peatland Push Cymru - Pumlumon Living Landscape (PLL) – A Payment For Ecosystem Service (PES) Scheme</b>	£59,000	0	£34,356	£24,644
<b>Eastern Valleys Upland Project</b>	£280,000	0	£205,493	£74,507
<b>Pond Connections</b>	£63,000	0	£27,822	£35,178
<b>Castlemartin Peninsula: Integrating Natural and Social Resources</b>	£144,000	0	£71,750	£72,250
<b>Future Fisheries - Living Seas</b>	£62,000	£0	£52,250	£9,750
<b>Pollinators for life project</b>	£282,100	0	£242,920	£39,180
<b>Elenydd Purple Moor Grass Project</b>	£152,000	0	£90,045	£61,955
<b>Ecosystem Enterprise Partnership (EEP) – Ecobank Project</b>	£150,000	0	£150,000	0
<b>Black Mountains Ecosystem Restoration: Linking Peatlands, Heathlands, Rivers and Woodlands</b>	£201,500	0	£188,750	£12,750

Project Title	Nature Fund Award	Payment to end January 2015	Payment Forecast end March 2015	Projected final payment totals for 2015
Manage and benefit from woodland resources in rural Conwy	£125,000	£51,000	£74,000	0
NWM Futurescape programme (Incorporating Lake Vyrnwy, Sustainable Moorland, Developing ecosystem & Farm Advisory Focus)	£241,800	0	£179,711	£62,089
Connectivity work in the Duhonw Catchment	£128,000	0	£128,000	0
Llynfi Valley	£627,000	0	£627,000	0
NRW Transition Fund	£750,000	0	£750,000	0
<b>Total</b>	<b>£4,997,700</b>	<b>£280,550</b>	<b>£3,847,397</b>	<b>£869,753</b>

6. The expenditure and the earmarked budget for the Nature Fund sits with the BEL 2828 in the 1000NRF MEG. Funding to date has been allocated from uncommitted monies from Natural Environment BEL 2825, Flood Risk BEL 2230 (the projects supported by the proposed funding include ones which will utilise natural flood risk management solutions or provide better land management which could reduce the risk of flooding), and Climate Change BEL 2815 (the projects supported by the proposed funding utilise natural measures to mitigate for climate change or add resilience for example carbon sequestration in peatlands, wetland and woodland creation).
7. The final element of the Nature Fund is the provision of £750,00k to NRW to help the organisation with their transition to taking forward integrated Natural Resource Management. The funding will be mainly used to support a number of projects that will be contributing to the three area trials currently taking place in the Dyfi, Rhondda and Tawe catchments to help provide the evidence and learning to inform the transition towards integrated natural resource management.

### ***Flood and Coastal Erosion***

8. Over this financial year we will have invested £55.6m into flood risk management. This is broken down as follows:
  - FCERM Capital: £9.8m
  - FCERM Revenue: £27.3m
  - ERDF: £6m
  - WIIP: £12.5m
9. We have invested over £245 million in flood and coastal erosion risk management over the lifetime of this Government. This is supported by almost £50 million from the European Regional Development Fund over a six year period ending in 2015.

Yearly breakdown of FCERM core budget:

Financial Year	Annual Departmental FCERM Budget			Additional Capital Funding Received in Year			Total Funding (FCERM + additional sources)
	Capital	Revenue	Total FCERM Budget	CRC/ WIIP	Divisional Transfers	ERDF	
2011/12	17.0	19.7	36.7	2.2	3.5	15.0	57.4
2012/13	14.7	21.0	35.7	11.0		9.0	55.7
2013/14	14.7	27.4	42.1	14.0		5.0	61.1
2014/15	9.8	27.3	37.1	13.5		7.0	57.6
2015/16	9.8	27.3	37.1	12.5		6.0	55.6
Life of Gov't	66.0	122.7		53.2	3.5	42.0	287.4

**Revenue:** Natural Resources Wales (NRW) take the majority of the revenue budget with around £19.5m annually. The rest of the revenue budget is split between the LLFA grant, programme staff costs and key priority areas for Flood Programme.

**Capital:** Flood and Coastal Risk Management Grant in aid (FCERM) Capital allocations for this year is outlined in the table below. Land drainage schemes have an 85% grant rate, which require 15% match funding from lead local authority whilst the grant rate for coastal schemes can be up to 100%.

10. NRW are responsible for main river schemes and manage their own capital programme with funding from the Wales Infrastructure Investment Programme (WIIP), Flood and Coastal Risk Management Grant-in-Aid and ERDF funding through Europe. NRW are forecasting £19.3M spend on capital schemes for 2014/15.
11. In January, I announced an additional £150,000 of funding to NRW from within Flood Risk Management budgets to assist in progressing the recommendations. This additional funding will allow for at least 37 to be completed by the end of 2015, without the need to re-prioritise work.
12. Dŵr Cymru Welsh Water can also benefit from ERDF funding for flood risk management. For 2014/15 this amounts to £1.4m.

2014/15 local authority schemes:

Local Authority	FCERM Budget	ERDF	Includes Schemes at:
Ceredigion	3,725,000		Borth Phase 2 (Coastal)
Conwy	1,960,679		Colwyn Bay phase 1c (Coastal), Afon Bach, Llansannan. Land Drainage)
Denbighshire	1,823,935	1,975,887	West Rhyl (Coastal)



Local Authority	FCERM Budget	ERDF	Includes Schemes at:
Isle of Anglesey	568,758	551,167	Beaumaris (Coastal)
Caerphilly	178,500		Ynysddu (Land Drainage)
Cardiff	854,326	702,674	Whitchurch/Rhiwbina (Land Drainage)
Monmouthshire	411,457	522,972	Station Road, Blake street (Land Drainage)
Pembrokeshire	465,000		Little Haven (Tidal flooding)
Powys	955,990	999,329	Kerry Gilfach, Tregynon village, Talgarth phase 2 (Land Drainage)
Rhondda Cynon Taff	679,474	760,009	Nant Gwawr, Bwlffa Road, Rhydfelin, Nant y Fedw (Land Drainage)
Vale of Glamorgan	474,791	457,018	Coldbrook (Catchment)

### **Funding for the delivery of the Marine and Fisheries Strategic Action Plan in 2014-15**

13. The Marine Strategy Framework Directive is expected to spend in the region of £500k this financial year in support of the Marine Strategic Action Plan. The spend will focus across the projects within the programme as well as legislation. Because of uncertainty of the expected spend in this area during the year, along with the expected level of budget reductions, funding wasn't allocated during the supplementary budget process, instead the Marine and Fisheries budget as a whole is being monitored and can absorb some of this spend, and any shortfall will be managed within the year end MEG flexibilities. Once the profile of current and further spend on the Strategic Action Plan is further identified, the budgets will be allocated during the supplementary process during 2015/16.

### **Funding for the delivery of the Climate Change Strategy in 2014-15**

14. The budget for the Climate Action and Resilience Team, who have responsibility for the Climate Change Strategy, is contained within the Climate Change and Sustainability line of the Natural Resources Management Expenditure Group (MEG) and for 2014-15 it is £617,000.

15. This budget line includes statutory funding to the UK Climate Change Committee as well as support for the Climate Change Commission for Wales. Expenditure to the end of December 2014 was £471,851 and it is anticipated that there will be a full spend by the financial year end.

16. It should be noted, however, that climate change is a cross-cutting issue and all departments within the Welsh Government work towards tackling it. Maximising the usage of our resources in militating against and embedding resilience to the effects of climate change is a key element of the Welsh Government's climate change policy.

**Funding for the delivery of the Wales Data Hub in 2014-15**

17. The Information Hub website was launched in July 2014 and provides access to up-to-date, robust data. By working with internal and external stakeholders, additional key data sets have been identified as having value to a wide range of users. Welsh Government officials are working in collaboration with partners and stakeholders to prioritise the publication of these data in line with user need and to develop the tools to allow users to access the data easily.
  
18. A key principle of the Information Hub is to ensure the hub is developed in the most efficient and effective way to add value to the existing network. As such, development of the hub has built on existing systems, utilising existing in house skills and resources. A further £10,000 - £20,000 has been allocated from the same budget before the end of the financial year for maintenance of the IT infrastructure and to secure IT developer resource from the Welsh Government's Knowledge and Analytical Services Division to enable the priority data sets to be published and development of associated tools. Long term resourcing and maintenance of the Information Hub will be addressed as part of a strategic plan.

# Agenda Item 3

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## **Deputy Minister for Farming and Food**

### **Environment and Sustainability Committee**

**Wednesday 4 March 2015**

1. This paper responds to the issues set out by the Committee in their email of 21 January. I note that the Committee has asked the Minister for Natural Resources for a detailed breakdown of the outcome of the two Supplementary Budgets 2014-15. His response covers all aspects of the portfolio, including farming and food.

### **Common Agricultural Policy**

2. I was pleased to meet with the Committee on 11 February to discuss the legal challenge to the Basic Payment Scheme regions. Our planning and preparation to implement payments have been set back by the legal challenge late last year. Ultimately the Welsh Government is committed to making payments as soon as it can in the payment window.
3. As I have confirmed, the arrangements for the Basic Payment Scheme in 2015 are dependent on the payment options chosen. Work has begun on alternative options and these are being considered. Taking into account all the factors, we currently estimate that we will be able to commence a consultation in March. When I have considered the responses I will be able to take an informed decision. This will then need to be considered by the European Commission (EC) and it is only when I have its approval that I will be able to communicate formally how land will be classified. At best that is likely to be during June.
4. Throughout the last few months I have ensured that the National Assembly, farmers, industry stakeholders and the public are kept up to date with developments.
5. In terms of the Rural Development Programme for Wales 2014-2020 (RDP), this will be the largest and most ambitious programme in Wales' history, and will help support rural businesses and communities, and a thriving natural environment. We submitted the programme to the EC in July 2014. Since November we have been in discussion with the EC on its formal feedback.
6. The EC services' workload has been immense and at December's Agriculture Council Commissioner Hogan explained that only 9 of 118 operational programmes had been adopted so far, with another 20 scheduled to be "ready for adoption" in early 2015.
7. Welsh Government officials have been engaged closely with EC officials in a constructive dialogue, and we have been given to understand that they are content with the scope, approach and ambition of our RDP. The areas still under discussion are not fundamental and we believe that our RDP is one of those at an advanced stage. We hope to receive informal approval for the Programme during February / March, although for EC budgetary reasons it is likely that the formal acceptance will only be received in the summer, when the EU Multi Annual Financial Framework has been accepted.
8. We have been planning towards the delivery of the constituent parts of the RDP in parallel with our negotiation work with the EC. It is my aim to introduce schemes as early as possible, and I am optimistic that we will be able to launch following receipt of informal approval.

9. The land-related agri-environment Glastir interventions will operate application windows year-on-year. The Glastir Advanced and Glastir Organic schemes have already been opened to expressions of interest, with a view to payments in 2016 and 2017.
10. Public procurement is mandatory under European Regulations for certain programme elements. In our RDP they are Farming Connect, the Farm Advisory Service and Rural Business Advisory Scheme. In the current programme Farming Connect will continue with one to one advice and training until 31st March 2015 and the main knowledge transfer programme has been extended until 30th June 2015. We expect the new contracts to begin in July 2015, at which time a new programme of courses etc. will be open for beneficiaries to apply for. The intention is to minimise any gap in service provision after the 30th June 2015.
11. LEADER will be delivered by Local Action Groups (LAG). I am pleased to report that LAGs and their Local Development Strategies are being assessed with a view to making approvals during February 2015.
12. The remainder of the RDP will be delivered through socio-economic grant programmes. These will be handled through a series of calls for proposals where the eligibility and selection criteria are publicised in advance and clearly identified closing dates are set. Calls will be opened throughout the programme and will be advertised to ensure beneficiaries are aware what window is open, the amount of budget available and when the next window will be opening. This will provide a calendar of calls so potential beneficiaries can plan ahead and have their Expressions of Interest ready. Expressions of interest that meet the criteria will then be worked up into full applications, which will allow and the project to go ahead.
13. I will continue to ensure that the National Assembly is regularly updated as matters progress, and will provide further details in due course on the expected timetable for beneficiaries to apply for support.

### **Next Generation of Farming**

14. Over recent decades agriculture has undergone major restructuring, with a drive for increased competitiveness which has resulted in holdings increasing in size and specialising. As a result entry in to the industry has become impeded and there is a need to identify ways in which mobility in the industry can be achieved.
15. I commissioned the Malcolm Thomas Next Generation into Farming Report to set out a strategic way forward for the future of the industry and to inform the development of the RDP.
16. I released the report and the Welsh Government response in October 2014. The report makes a number of key recommendations to encourage mobility and increase skills within the farming industry.
17. To achieve mobility within the industry, it is vitally important that our policies support both exit and entry in equal measures. To enable exit from the industry, evidence suggests that red tape, legislation and taxation were barriers. The issue of taxation and tenancy law was mirrored in Defra's Future of Farming Review undertaken by David Fursden. To address this, the Welsh Government will seek to influence HM Treasury to look at whether the current taxation system hinders mobility in the industry.

18. The major limiting factors to entry into the industry are availability of land and access to capital. Malcolm Thomas' report highlights the need for government and industry to work together to investigate opportunities to support new entrants. I have seen at first hand different models of joint ventures. There are some excellent examples of how young people can enter the industry without the huge capital outlay associated with purchasing land.
19. The Deputy Minister for Skills and I have published an action plan on the provision of learning delivered by further education colleges - and the relevance of that to farm businesses. We need to continue to develop and retain skills within the sector to ensure the future success of our agriculture industry.
20. We are also currently working with the industry through the Young Entrants Support Scheme (YESS) Stakeholder Group, which is made up of representatives from across the industry including farming unions, Wales YFC and farming charities. We want to scope out new ways to support young and new entrants, including support that we can implement through the RDP.

### **Dairy farming**

21. I will continue to stand up for our important dairy sector and the importance of helping Welsh farmers to take advantage of export opportunities. I attended the EU Agriculture and Fisheries Council in Brussels on 26 January as part of the UK Ministerial Delegation. I was pleased that during Council I secured a specific mention of the fragility of some of our Welsh dairy farms.
22. The dairy industry is going through a period of change with difficult market conditions caused by the effect of global markets. With milk production continuing to outperform last year's levels, there will be a need to develop new markets for cheese and butter stocks or to divert milk supplies into other dairy products. However, the long term international prospects for dairy farming are positive, as agreed by the European Commission.
23. Significant coverage has also been given to the recent First Milk payment delays. As soon I heard about the decision I requested to meet with the Chairman, Sir Jim Paice, to get a better understanding of how that difficult situation had arisen. I wanted to satisfy myself that First Milk was doing everything possible to put itself back on a sound footing. First Milk has since made a commitment that it will not be dropping the price it pays farmers in March. I have arranged for Farming Connect, our support and advice service for Welsh farmers, to work closely with DairyCo in Wales to provide a complimentary package of support during this critical period.
24. My review of the dairy sector, which is being led by Andy Richardson, is therefore timely. I expect it to conclude by the end of February. The review will draw on the work already undertaken by the Dairy Task Force but will look wider, taking views from all elements of the Welsh supply chain.
25. It will consider how government and industry can work together to support the sector in Wales and will look at what support the RDP may provide to dairy farmers and the milk processing sector in Wales. The review will address the specific issues that relate to milk price volatility and consider whether there are mechanisms (legal and voluntary) that could give a more stable farm gate milk price.

26. To that end, I have recently met with and written to the Parliamentary Under Secretary of State for Farming, Food and Marine Environment, George Eustice MP, in support of the Groceries Code Adjudicator (GCA). I am concerned at the reluctance by the industry to formally report any breaches of the Groceries Supply Code of Practice (GSCoP) to the GCA and I will continue to urge the industry to come forward so that formal investigations can be launched. I want to see the best possible arrangements for the operation of the supply chain in Wales and ensure that primary producers are protected and to ensure fairness in the business supply chain.
27. I am therefore pleased that measures have recently been laid in Parliament that will grant the Groceries Code Adjudicator powers to fine UK supermarkets for breaching the GSCoP. This is one power that the Welsh Government has pressed for from the outset. The recent issues in the dairy industry have highlighted the need to ensure that the market is monitored and supported correctly.

### **Organic farming**

28. The Welsh Government is committed to supporting the organic sector in Wales. It plays an important role in the Welsh agricultural industry as it can add value to our products, while organic practices are based on principles of greater environmental sustainability.
29. Glastir Organic is the first support package under the new RDP. The Welsh Government has been leading the way in supporting the organic sector in the UK. We were the first to offer an extension to bridge support from the previous RDP and we are now the first to commit to providing support in 2015.
30. Glastir Organic will provide organic farmers and producers with financial support in recognition of the environmental service they provide to Wales. Organic farming systems work with nature to maintain soil fertility and to manage pests and diseases. This protects our rivers, wildlife and pollinators. Support will be made available both to existing organic producers to carry on farming organically and to those converting land from conventional farming practices to organic. Glastir Organic opened for on-line applications on 1 October and closed on 29 October 2014, resulting in 467 Glastir Organic agreements.
31. The new scheme demonstrates our commitment to organic farmers and producers, providing the organic sector in Wales the confidence to continue to farm organically and to entice conventional farmers to convert to organic farming.

### **Genetically-modified Organisms (GMOs)**

32. I have clearly stated our GM policy. We maintain a restrictive and precautionary approach to GM crop cultivation.
33. The Committee will be aware of the recent vote by the European Union to allow Member States and Regions to make national decisions on whether they wish to ban or cultivate GM crops in their territories. This means the Welsh Government would be able to demand that GM use would be limited to exclude Wales, thus allowing us to control the future cultivation of GM crops in Wales.



34. We would also have further options to restrict or prohibit the cultivation, including such things as environmental or agriculture policy, socio-economic impacts, public policy or the avoidance of GM contamination to other products. We have campaigned for several years to have socio-economic issues included as important factors in the consideration of GM crop approvals and I am pleased that these are now formally recognised. This development will help us to deliver our policy.
35. I have recently issued a Written Statement which includes more detail on the EC decision and its implications for Wales.

### **Animal Health and Welfare**

36. The level of spend by the Office of the Chief Veterinary Officer to the end of December 2014 associated with implementing animal welfare policy and legislation in 2014/15 is £214,422. Estimated outturn to the end of 2014/15 is £297,899.
37. Last July I was pleased to launch the Wales Animal Health Framework. The broad vision of the Framework is to work in collaboration with industry partners so that we can continue to raise standards of animal health and welfare and demonstrate progress. The Framework Group that includes six publically appointed members who are in the process of setting out the key priorities and themes to focus on over the coming years. These will be set out in a series of annual implementation plans, the first of which will be published next summer.
38. To deliver our policies effectively it is critical we consider our future veterinary needs and supporting infrastructure. This must be aligned to Wales' needs and should build upon the growing partnership between Government and the private sector. I welcome the news that two contracts have been awarded for TB testing and other veterinary services in Wales to Welsh veterinary practices. From April, all new TB testing and other Official Veterinarian work in Wales will be undertaken by two regional suppliers, Menter a Busnes in North Wales and Iechyd Da (Gwledig) Ltd in the south.
39. These will be responsible for allocating vets and ensuring testing is carried out to the required standard. This is good news for Wales and particularly for those successful Welsh veterinary service providers which will form an important foundation stone for the TB Eradication Programme. These contracts will also augment veterinary capability and capacity which is essential to deal with any future exotic animal disease outbreak, while maintaining value for money.
40. Surveillance is vital, as illustrated following the two avian influenza outbreaks in England. Welsh Government officials are working closely with Defra and the Animal and Plant Health Agency (APHA), and are fully engaged in the contingency planning arrangements. Government has a good track record of controlling and eliminating avian disease outbreaks in the UK and we have the necessary plans in place to deal with a similar event, should one occur in Wales.
41. As part of our work to review the APHA Surveillance 2014 project, Carmarthen Veterinary Investigation Centre is being developed as a centre of expertise for Extensively Farmed Livestock. In addition a carcass collection service will be put in place to serve Wales, subsidised by APHA for 3 years. Iechyd Da intends to develop the Aberystwyth VI Centre for post mortem examination and lab testing services to local veterinary practices.

42. We continue to take forward our work on the TB Eradication Plan across Wales. There are many elements to our approach which include annual testing, initiatives such as Cymorth TB and the work in the IAA including the badger vaccination project where we have just completed our third year of vaccinating and are now preparing for year four. Underpinning this is the TB epidemiology work being undertaken which helps us to improve our understanding of the disease picture across Wales. We are encouraged by recent statistics which indicate that the TB Eradication Programme is making a difference.
43. The level of spend to end of January in relation to the TB Eradication Programme in 2014/15 is £3,686,112. Estimated outturn to end of 2014/15 is estimated at £5.1m
44. Promoting high standards of animal welfare is a key consideration for all kept animals. Our priorities in this area are presently directed towards maintaining and improving livestock and complying with European rules in line with our stewardship and responsibility for animals. Amongst other things this includes areas such as the welfare of animals at the time of slaughter, whilst for companion animal efforts are being directed towards a policy of responsible ownership. Nearly half of all households in Wales – 43% - have a pet, with one or more dogs being the most common.

### **Farming strategy**

45. I am keen to develop an agriculture strategy that clearly sets out how we will build a confident, resilient and profitable Welsh agriculture industry that protects and enhances our natural resources, achieves sustainable growth, and supports vibrant rural communities.
46. The strategy will be vital in developing a vision for agriculture in Wales. My officials are working with colleagues across the Welsh Government to ensure we develop an active and inclusive plan which will support the industry to manage our natural resources well, help farm businesses to build on their successes and support the rural economy, and to play an active role in ensuring animal health and high welfare standards.
47. A key factor in the success of this strategy will be buy-in across the sector and that is why we have included the industry's key stakeholders from the outset. We need an inclusive, progressive and sustainable vision that is challenging but which is set in such a way that the agriculture industry, government, delivery partners, stakeholders and individuals can get behind.
48. We will establish effective governance structures to support the strategy and we will also use existing delivery mechanisms to ensure that, wherever possible, we take an efficient and common sense approach. I expect to have detailed action plans to support and monitor how well we implement the strategy.

**Rebecca Evans AM**  
**Deputy Minister for Farming and Food**  
**February 2015**

Carl Sargeant AC / AM  
Y Gweinidog Cyfoeth Naturiol  
Minister for Natural Resources



Llywodraeth Cymru  
Welsh Government

Ein cyf/Our ref SF/

Alun Ffred Jones AM  
Chair of the Environment and Sustainability  
Committee  
Cardiff Bay  
Cardiff  
CF99 1NA

February 2015

Dear Alun,

Thank you for your letter regarding the Environment and Sustainability Committee inquiry into fuel poverty and energy efficiency and the request for clarity on a number issues.

Please find attached a response to the queries raised in your letter.

Yours sincerely

Carl Sargeant AC / AM  
Y Gweinidog Cyfoeth Naturiol  
Minister for Natural Resources

## **Response to the inquiry into fuel poverty and energy efficiency in Wales' request for further information.**

### **Fuel Poverty Strategy**

A number of stakeholders in their written and oral evidence argued for a review of the Welsh Government's Fuel Poverty Strategy published in 2010 to reflect latest developments and changes in the economic climate.

- We would be grateful if you could set out what consideration has been given by the Welsh Government to a review of the Fuel Poverty Strategy.

### **Response**

The Welsh Government's Fuel Poverty Strategy was published in 2010 and set out the key actions that we would take within our powers to tackle fuel poverty. The approach set out in the Strategy remains valid.

The key actions include providing high quality, well co-ordinated advice and support to help householders reduce their energy bills and maximise their income, providing demand-led and area based programmes to improve the energy efficiency of homes, and targeting these programmes at households most in need and living in the most energy inefficient homes.

We are taking these actions forward through the delivery of our energy efficiency programme. Our focus now is on ensuring that the programme continues to make a real difference to fuel poor households and that we take account of any changes at a UK level to maximise opportunities for Wales.

The Fuel Poverty Strategy was published before the Tackling Poverty Action Plan but we have ensured that our actions to tackle fuel poverty are included in the Plan and that fuel poverty is considered alongside wider action to tackle poverty.

While I have no immediate plans to review the Fuel Poverty Strategy I will keep this under consideration.

### **Ministerial Advisory Group**

Stakeholders also called for the re-instatement of the Ministerial Advisory Group on Fuel Poverty, arguing that the Group had offered an important opportunity for the voluntary sector, consumer rights bodies and energy companies to debate issues and provide robust evidence to underpin Welsh Government strategy. We would be grateful if you could:

- Clarify why the decision was taken to disband the Ministerial Advisory Group on Fuel Poverty;
- Set out whether in light of the evidence the Committee has received you would be willing to re-consider the decision and if so, whether the Welsh Government would consider the different models used currently across the UK and the lessons learnt from them.

## **Response**

The Ministerial Advisory Group on Fuel Poverty (MAGFP) was dissolved by the former Minister for Environment and Sustainable Development in November 2011. The group had been in existence, in a number of formats, for eight years.

The group provided limited advice to the Minister over and above the information already provided by other stakeholders and did not offer additional advice that was not already available elsewhere. The group had limited added value.

The decision to dissolve the group was made after careful consideration and taken in light of the establishment of the Tackling Poverty External Advisory Group (TPEAG) which provides the opportunity to fully align fuel poverty with wider government action to tackle poverty.

The TPEAG is led by an independent Chair and has a representative on fuel poverty. A number of the organisations who were represented on the MAGFP are represented on the TPEAG.

I will not be reinstating the former Ministerial Advisory Group on Fuel Poverty. I believe that action to tackle fuel poverty must be part of wider action across Welsh Government to tackle poverty and I will seek expert advice, when required, from the TPEAG.

## **Nest and Arbed**

All stakeholders commended the Welsh Government's ongoing commitment to funding these schemes but identified some ways in which the schemes could be improved in future.

- Clarify why Nest has reached fewer households than its predecessor scheme.
- Detail whether the development of the Welsh Government's new energy efficiency strategy will:
  - Review the monitoring arrangements for Nest and Arbed to better report on those in fuel poverty before and after measures are installed;
  - Consider more wide-spread use of self-reporting by recipients; and

- Consider the effectiveness of the current schemes in addressing fuel poverty in rural areas and how this could be improved.

## **Response**

Nest has not reached fewer households than its predecessor scheme, HEES. In its first three years, Nest has reached an average of nearly 19,000 households per year, which is consistent with the best performing years of HEES. It should, however, be recognised that Nest and HEES are two very different schemes that provide very different levels of support to different households.

HEES was designed to provide households in receipt of some benefits, and those of elderly householders without a working heating system, with low cost solutions such as boiler repairs, basic insulation and draught proofing, and where necessary, replacement heating systems. In some scheme years, smoke alarms and security measures were also available for elderly householders. Different levels of grant were offered to households, ranging from £500 to £5,000, depending on the applicant's age, circumstances and fuel type. Where the cost of works exceeded the grant the householder was required to fund the difference before works could proceed. Benefit Entitlement Checks (BECs) were offered to applicants who did not meet the eligibility criteria but no system was in place to refer applicants to other advice or support. The eligibility criteria for HEES did not require all households to be on a low income and less than 30 per cent of households receiving improvements under HEES were estimated to be fuel poor.

Nest was designed to provide all households with access to a range of advice and support to reduce their energy bills and maximise their income, including BECs, debt and money management, energy saving advice, energy tariffs and referral for a Warm Homes Discount. In addition, eligible applicants are referred for a package of home energy improvements, which are offered at no cost to the householder. A wider range of heating and insulation measures are available than under HEES, including high cost measures such as Air Source Heat Pumps (ASHPs), Biomass, and External Wall Insulation (EWI). Grant levels are higher with up to £12,000 for an off-gas home, in recognition of the higher costs of improving hard to heat homes, and up to £8,000 for an on-gas home. The eligibility criteria for Nest are designed to focus on low income households living in the most energy inefficient homes, and over 60 per cent of households receiving improvements under Nest are estimated to be fuel poor.

The Welsh Government's proposed new energy efficiency strategy will consider the challenges and opportunities for increasing energy efficiency across all sectors; domestic, business and the public sector. It will consider Welsh Government's role in driving the agenda as well as the role of other organisations, businesses and

households themselves. It will set out our vision and strategic approach but will not go into the detailed operation of individual delivery mechanisms.

However, the operation of Nest and Arbed are kept under review and full evaluations of both programmes are currently in progress. Our Nest and Arbed programmes record the energy efficiency improvements that are made to every property utilising the industry standard rdSAP. However, there are constraints that limit the extent to which we can monitor, on an individual household basis, the precise fuel poverty impact of energy improvements installed under our energy efficiency programmes. These constraints include:

- the difficulties and costs of collating accurate household income and historic usage data for all households,
- the reality that household circumstances including household income can change frequently,
- the frequency of energy price rises,
- the fact that, to varying degrees, residents may use the improvements to raise the comfort and health protection benefits in their homes rather than reducing their outgoings on fuel,
- the cost of conducting widespread monitoring, particularly longitudinal studies, against the benefits to be derived from it, and the consequential impact of such monitoring on households, some of which are particularly vulnerable.

The Arbed 2 evaluation will include contact with a minimum 10 per cent sample of households and carry out a post installation review. This will involve re contacting the households that provided data as part of the initial scheme evaluation to further assess the impact of the energy efficiency measures installed and the advice provided. Not only will this look at energy being saved through more efficient use, but also at the extent to which householders are more comfortable in their home. We will consider the effectiveness of this approach for a sample of households supported and whether it should be used in future actions under our energy efficiency programme.

It is not immediately clear what the Committee is referring to in the question about 'self reporting'; if it is a question about recipients of support reporting on its long term impact, then officials believe that the lack of assurance and unpredictability of such reporting would present challenges.

The current schemes have been effective to date in addressing fuel poverty in rural areas but I will ask officials to keep this under review and examine whether improvements could be made in any future schemes. A key objective of the Nest scheme is to ensure that support is available to households in rural, off-gas areas who face higher energy bills, higher costs to improve the energy efficiency of their

homes, and therefore higher levels of fuel poverty. In recognition of the higher costs faced by these households, Nest provides a higher maximum level of Welsh Government funding for individual rural, off-gas properties (£12,000) than for urban, on-gas properties (£8,000).

Nest is actively targeting eligible households in rural areas and in its first three years of operation over 4,800 of the 13,400 homes improved were located in predominantly rural local authorities. Over 600 of these homes received a package of improvements that included connection to the gas network.

Under our area based schemes we have set criteria for local authorities that prioritise the most disadvantaged areas. Under Arbed 2 we give priority to those low income areas that have a high number of off-gas or hard to treat homes. To date, Arbed 2 has delivered 32 schemes in 19 of the 22 local authorities across Wales. Of these, 7 were off the gas network and 4 had the gas main extended into their community with 482 homes having new connections.

### **Co-ordination between schemes and delivery bodies**

The need for better coordination between Welsh Government Schemes and UK-wide schemes such as the Energy Company Obligation (ECO) was raised by several of the energy companies, the housing associations and NEA Cymru. Housing associations welcomed the opportunities provided by Arbed ECO to blend funding between Welsh Government and UK schemes.

We would be grateful if you could:

- Detail whether the development of the Welsh Government's new energy efficiency strategy will: Review the co-ordination between Welsh Government and UK-wide schemes and how this could be improved;
- Consider the capacity of local authorities to deliver these schemes and how this could be improved; and
- The procurement processes used within the schemes.

### **Response**

The Welsh Government's proposed new energy efficiency strategy will consider the challenges and opportunities for increasing energy efficiency across all sectors; domestic, business and the public sector. It will consider Welsh Government's role in driving the agenda as well as the role of other organisations, businesses and households themselves. It will consider what action Welsh Government can take within the context of wider UK action on energy efficiency and how in general terms we can work alongside UK activity. However, it will not go into the detail of the



operation of individual Wales and UK schemes, particularly as we are likely to see ongoing change to those schemes.

Co-ordination between the Welsh Government and UK wide schemes is kept under review and my officials keep up to date with developments in UK schemes, such as ECO, maintaining regular contact with both the UK Government and the energy companies. The significant changes made by the UK Government to ECO, along with ongoing changes by energy companies to their approach to delivering ECO, have made it challenging, particularly over the past 12 months, to dovetail Welsh Government and UK Government schemes.

Welsh Government has taken a flexible approach and has regular discussions with the scheme managers for both Nest and Arbed on how the schemes can work best alongside UK Government schemes. Changes have been made to Arbed 2, in agreement with the Welsh European Funding Office, to ensure that the scheme can utilise investment from ECO alongside funding from the European Regional Development Fund and Welsh Government. Where Nest is concerned, officials meet monthly and quarterly with the scheme manager, British Gas, and regularly discuss the leveraging of ECO into the scheme.

In line with the Wellbeing of Future Generations Bill, the Welsh Government's energy efficiency programme prioritises not only carbon reduction but tackling poverty and the creation of growth and jobs. The programme places a high priority on delivering multiple benefits, such as jobs, training, community benefits and effective household engagement alongside the delivery of energy efficiency measures in homes. The Arbed delivery model developed by Welsh Government has been particularly successful in this regard. It has been challenging to dovetail our high standards in terms of these requirements with the delivery of ECO, under which the focus is singularly on securing the best rate per tonne of carbon reduction, and which is driven increasingly by a desire on the part of the energy companies to deliver ECO through their own delivery mechanisms, which are unlikely to deliver the wider multiple benefits to communities and their local economies that we know could be achieved in Wales.

In terms of developing the capacity of local authorities, Welsh Government officials have regular round table meetings with local authorities to discuss and plan energy efficiency programmes. The meetings are an open forum where opportunities, ideas and examples of best practice are put forward. The most recent meeting included sessions on the Value Wales Community Benefit Tool, the roll out of smart meters, procurement and the development of the energy efficiency strategy. Officials have also delivered a number of local authority events across Wales to promote the available grant scheme, and these have been followed by visits to the authorities to provide bespoke advice in designing schemes and drafting their applications. A few authorities have not taken up this service but it has continued to be offered. In

addition, I have made revenue funding available for local authorities to increase their capacity to manage area based energy efficiency schemes and deliver the multiple benefits that we wish to achieve through our programme.

Officials are aware that some local authorities have had difficulty with procurement given the timescales and the complexity of the energy efficiency works that are involved. Local authorities must ensure that they are compliant with legislation and with their own internal procurement policies. My officials are considering what arrangements can be made to support procurement in future. The Arbed 2 programme has been setting a standard in terms of what can be achieved, with a multiplier of up to £2 return into the Welsh economy per £1 invested in the programme, as measured by the Value Wales Community Benefit Measurement Tool. In addition to this, one of the Arbed 2 scheme managers (Melin Homes) was awarded the Innovative Procurement award at the Welsh Housing Awards in 2014 and one of the framework SMEs (Gibson STS) won the Procurement/Tendering Collaboration Award at the Welsh Procurement Awards 2014. Both these awards were given in recognition for the good work carried out under Arbed.

## **Data**

Stakeholders raised issues about both the availability of up to date data on the Welsh Housing stock and the co-ordination of data about those in fuel poverty to allow more effective targeting of schemes.

We would be grateful if you could:

- Detail what consideration you have given to updating the data available from the Living in Wales Survey and on the Welsh Housing stock to improve the delivery of energy efficiency schemes.
- Set out what discussions you've had with the UK Government on the better coordination of data on households most in need of energy efficiency measures.

## **Response**

The most recent Welsh Government data was published in April 2013 through the Fuel Poverty Projection Tool, which provided modelled estimates of the number of households in fuel poverty in 2011 and 2012. These were headline figures only of all households, vulnerable households, and social housing.

We intend to publish new data on fuel poverty. However, this requires work to identify the most appropriate and cost effective form of data collection, in order to produce robust baseline data on fuel poverty and to be able to input data from Welsh

Government programmes and demonstrate the impact that our investment is having on tackling fuel poverty.

To take forward this work the former Minister for Natural resources and Food and the Minister for Housing and Regeneration agreed to jointly fund a specialist researcher to carry out scoping work and produce a business case for investment to identify short and long term options to meet the gaps in housing condition data. Work on this project has started and we expect the findings of the work to be produced before the summer.

I have not had any discussions with the UK Government concerning the co-ordination of data. The difference in availability of data between England and Wales means that it is difficult to co-ordinate data across the two. However, officials within Welsh Government are currently carrying out off gas mapping on behalf of the UK Government for the whole of the UK. This work builds on the off gas mapping work that Welsh Government undertook in partnership with Wales and West Utilities, and which stakeholders encouraged the UK Government to replicate for the whole of the UK. In addition officials liaise with UK Government regarding data on Energy Performance Certificates which is available across the UK.

### **The Energy Companies Obligation (ECO)**

A number of stakeholders expressed serious concerns about the delivery of the ECO schemes in rural areas to date. Many organisations accused the energy companies of deliberately avoiding undertaking their obligations in harder-to-treat areas. In its evidence Ofgem outlined that as of April 2014 the energy companies had only delivered 1% of their rural sub-obligation. Ofgem stated that it was stressing the importance of improved delivery against this target. In their oral evidence the energy companies present stated that they were confident that the recent changes made to ECO by the UK Government would improve their delivery in rural areas.

The Committee would be grateful if you could:

- Detail any discussions that you have had with the UK Government, Ofgem or the energy companies about delivery of ECO in rural areas in Wales;
- Detail what representations the Welsh Government made to the UK Government about the potential impact on people in Wales of the changes to ECO;
- State whether the Welsh Government has done any work to assist housing associations in Wales affected by the changes to ECO and whether you have raised this issue with the energy companies concerned;
- Whether the UK Government has confirmed to the Welsh Government that it will require energy companies to continue to reduce consumer bills as a result of the ECO changes.

I have not yet had any discussions on this issue with the UK Government, Ofgem or with the energy companies. However, the former Minister for Natural Resources, Alun Davies wrote to the Secretary of State, Ed Davey in February 2014 to express concern over the effect that the changes to ECO would have on the delivery of solid wall insulation (SWI). The letter raised the issue of the high number of solid wall and hard to treat properties in Wales, which would benefit from SWI; it also stressed the need to increase support for off-gas properties, noting that support to such properties had been low.

In addition Welsh Government responded to the UK Government's consultation on the proposed changes to ECO. Our response re-iterated our concern over the poor delivery in off-gas areas, expressed a particular concern about the lack of delivery in the most remote parts of Wales and the stressed the need to do more to address this issue.

Officials in the Welsh Government have also had discussions with energy companies about the delivery of ECO in Wales, and these discussions have covered the impact to rural Wales of the changes to ECO and ways in which the Carbon Saving Communities Obligation sub rural obligation could be attracted to Wales to support households in rural areas.

The Minister for Natural Resources and Food, Alun Davies, wrote to Gregory Barker, the Minister of State for Energy and Climate Change, requesting information on the proposed changes and the potential implications for Wales. The Minister of State responded outlining the changes but only in the same general terms included in the announcement. The Minister for Natural Resources and Food subsequently wrote again to the Minister of State requesting that he ensure the close attention of DECC officials to the impacts that we might expect in Wales from the proposed changes.

In addition the Minister for Natural Resources and Food wrote a letter to Ed Davey, Secretary of State, expressing concern about the reduction in targets for Solid Wall Insulation (SWI) as a result of the changes to ECO. The Minister highlighted the high number of solid wall and hard to treat properties that would benefit from SWI and the need to increase support for off-gas properties, noting that support to these properties had been low. The letter also raised concerns about the number of complaints that he was receiving regarding the operation of ECO in Wales and the importance of customer protection.

The Welsh Government has not received any requests from Housing Associations to provide them with assistance regarding the changes to ECO. However, officials meet regularly with Community Housing Cymru (CHC) and keep CHC informed of the work in connection with ECO. Welsh Government has provided grant support to local

authorities to deliver area based energy efficiency schemes that leverage ECO investment. Housing Associations have been involved in a number of the proposals from local authorities and social housing properties have received support through these schemes. In addition my officials have presented on ECO at a number of events that Housing Associations have attended. These have included an event organised by Welsh Government designed specifically to support registered local landlords in accessing innovative forms of finance including finance from the ECO.

The UK Government has not confirmed to the Welsh Government that it will continue to reduce consumer bills as a result of the ECO changes.

### **Fuel debt and pre-payment meters**

Stakeholders expressed concern about the level of fuel debt in Wales and about the energy companies' approach to dealing with those in fuel debt. In its oral evidence Citizens Advice Cymru told us that it was contacted by, on average, 2,500 people every year about fuel debt. SSE told us that it recognised that there was a greater degree of indebtedness in Wales compared to England and Scotland and that SSE has significantly more customers on pre-payment meters in Wales.

We would be grateful if you could;

- Provide details of any discussions you've had with the energy companies about:
  - The higher levels of fuel debt and customers on pre-payment meters in Wales,
  - Their policies for dealing with customers in fuel debt,
  - Their policies for assessing the suitability of pre-payment meters wishing to switch - to other payment methods, and
  - The roll out of smart meters in Wales.

### **Response**

I have not had any discussions with energy companies about fuel debt or prepayment meters. While former Ministers and officials have had discussions with energy suppliers in the past about fuel costs and energy tariffs, it is important to recognise that the Welsh Government has no powers to regulate energy suppliers or to require them to change their policies and practices on fuel debt or payment systems. These powers lie with the UK Government and the energy regulator, Ofgem.

My officials' recent discussions with energy suppliers have focused primarily on the Energy Companies Obligation (ECO) and the negative impact that the UK Government's changes to ECO could have on Wales. Our priority has been to

ensure that, despite these changes, we maximise the funding leveraged into Wales and help more low income households to heat their homes at a more affordable cost.

I am concerned that rising energy prices and the UK Government's Welfare Reforms are having a significant financial impact on household budgets and are pushing more households in Wales into debt. I would welcome any action that Ofgem can take to ensure that energy suppliers support households who are struggling with their fuel bills. I welcome Ofgem's statement in its latest annual report on Social Obligations that it will be taking action to make sure that customers on Prepayment Meters (PPM) can access better deals, especially if they are in debt, and that they will ensure that suppliers are meeting rules requiring them to treat customers fairly.

SSE raised concerns at the recent NEA conference about the higher distribution costs faced by consumers in Wales and the impact these cost have on fuel bills. This is an important issue and one that Citizens Advice, who has statutory responsibilities to represent the interests of energy consumers, may wish to pursue. Welsh Government would be happy to work with Citizens Advice in seeking a fair deal on distribution costs for Welsh consumers.

On the roll-out of smart meters, discussions to date have been with the UK Government and Smart Energy BG, who are leading on the national roll-out of smart meters and engagement with consumers.