

Agenda – Climate Change, Environment and Rural Affairs Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: Wednesday, 2

November 2016

Meeting time: 09.00

For further information contact:

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Private pre-meeting (09.00–09.15)

1 Introductions, apologies, substitutions and declarations of interest

2 Annual scrutiny of Natural Resources Wales (NRW) (09.15–10.15)
(Pages 1 – 32)

Emyr Roberts, Chief Executive, Natural Resources Wales

Dianne McCrea, Chair, Natural Resources Wales

Attached Documents:

Paper 1 – Natural Resources Wales

Paper 2 – Research Service Briefing

3 Motion under Standing Order 17.42(ix) to resolve to exclude the public from item 4 of the meeting

4 Welsh Government Draft Budget 2017–18 – approach to scrutiny
(10.15–10.45)

Martin Jennings, Financial Scrutiny Unit, Research Service



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Wales

5 Welsh Government Draft Budget 2017–18 – evidence session with the Cabinet Secretary for Environment and Rural Affairs

(10.45–12.15)

(Pages 33 – 75)

Lesley Griffiths AM, Cabinet Secretary for Environment and Rural Affairs

Andrew Slade, Director, Agriculture, Food and Marine

Dr Christianne Glossop, Director, Office of the Chief Veterinary Officer

Matthew Quinn, Director, Environment and Sustainable Development

Tony Clark, Head of Finance, Economy, Skills and Natural Resources Group

Attached Documents:

Paper 3 – Welsh Government

Paper 4 – Research Service Briefing

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

7 Welsh Government Draft Budget 2017–18 – consideration of evidence (12.15 – 12.30)



Briefing for the Climate Change, Environment and Rural Affairs Committee meeting on 2 November 2016.

1. Introduction

Natural Resources Wales' (NRW) purpose is to pursue sustainable management of natural resources. We embed the principles of sustainable management of natural resources throughout the way we work, and by applying these principles we maximise our contribution to the well-being goals.

We welcome the opportunity to present to the Committee during its annual scrutiny of NRW.

2. Remit letter

A summary of the action taken to deliver the priorities set out in NRW's 2015-16 remit letter.

During 2015/16 there were a number of priorities set out for us using the themes of our corporate plan. Below is a summary of what we delivered during the year.

Good for People

- 98% of **high risk flood assets maintained**.
- We launched **Flood Warnings and Flood Risk maps** on our website.
- We attended **1,883 environmental incidents**.

Good for Business

- 91% of **planning applications** responded to within agreed timescales.
- 91% of **permits, licences and consents** issued within agreed timescales.
- We worked with developers to enable nine small scale **hydropower schemes** on the NRW managed estate.

Good knowledge

- Work continued to produce Wales' first **State of Natural Resources Report (SoNaRR)**, and we continued working with academia to source relevant information and plan future evidence needs to inform the embedding of sustainable management of natural resources within Area Statements, future SoNaRR reports, and our functional work.
- In order to develop a common evidence base, we have made a significant input to the **Welsh Government's Information Hub (Lle)**, a single data publishing service that

allows us to publish our data in one place. We now have 96 open datasets available for external re-use, an increase from 78 in 2013, including the Ancient Woodland Inventory, Flood Maps and National Biodiversity Network Species Data.

- We worked with Welsh Government to contribute to the **Well-being of Future Generations (Wales) Act Statutory Guidance** which has been used by statutory and non-statutory partners to ensure compliance with the Act enacted in April 2016.

Good Organisation

- We organised a series of 'Come on Board' promotion events across Wales in order to **promote Board membership** to the full cross section of Welsh society by explaining more about the work of NRW, as well as the specific requirements of Board members.
- Work progressed on our **transformation** and standalone capability and we have been able to reduce the amount we pay to legacy bodies for ICT services by £5.2m each year. We are now looking to deliver the remaining ICT deliverables that will allow us to finally close all the transition services with the EA and Forestry Commission GB by 31 March 2017.
- Realising better value for money, we are expecting to **generate benefits** of £158 million over our first 10 years through the greater efficiencies gained by bringing three organisations into one. Currently we have successfully identified cash and non-cash realisable benefits of £147 million (93%).
- We have shared learning from **area based trials** across our organisation and with external partners.

A summary of actions you have put in place to deliver the priorities set out in 2016/17 remit letter.

We have begun to embed our new purpose **Sustainable Management of Natural Resources** into our work. We've done this through rationalising environmental planning work, organisational design, and working more closely with local communities to inform the priorities, risks and opportunities for the sustainable management of natural resources for NRW, the National Natural Resources Policy, the Future Trends Report and work of the Commissioner under the Well-being legislation.

In implementing the **Well-being of Future Generations (Wales) Act**, we are active members of [Public Service Boards across Wales](#) supporting partner engagement with evidence packs as well as developing engagement on our own future well-being objectives as part of our next corporate plan.

In implementing the Environment (Wales) Act we:

- held a four day workshop involving our partners - water companies, national parks, local authorities, the forestry sector and third sector to develop our approach to implementation of the first Area Statements.
- launched our first SoNaRR on 3 October.

Other key developments against our remit letter priorities include:

- We are developing our **Enterprise Plan** and our income to date this year is £8.1m, ahead of profile by £1.7m.
- To support **community development**, our 'Cyfle' policy has been developed, along with supporting procedures, to ensure continuation of our volunteer scheme as well as a range of Esgyn/Lift Contribution Statements.

- Work is ongoing to deliver our capital **flood schemes**. 1,078 properties now benefit from increased property protection following completion of projects in Caerleon, Tabbs Gout and Risca. Construction work has also now started in St Asaph.
- We work with Welsh Government via the **waste crime** working group to support review and implementation of new powers under Environmental Permitting Regulations. We are also using Welsh Government funding provided on initiatives that will increase our capability to tackle **waste crime and prevent and manage fire risk** at permitted sites including, for example employing a temporary secondee from the Fire and Rescue Service, and working collaboratively with Welsh Environmental Services Association and the Chartered Institute for Waste Management to increase industry and landowner awareness of waste management responsibilities.
- We are proactively working with the Welsh Government Treasury and Wales Revenue Authority Implementation Programme to continue to explore the options for **Landfill Disposal Tax** compliance and enforcement functions.
- We secured one year funding to support implementation of **EU Invasive Alien Species Regulation**. Following successful recruitment we are now working with the Welsh Government to develop a delivery programme.
- In implementing the **Marine Transition Programme** and **Marine and Fisheries Strategic Action Plan**, we have: provided initial advice to Welsh Government on a risk-based approach to consenting in the **Wales National Marine Plan**; undertaken an assessment of gaps in the network of marine protected areas; consulted and subsequently advised the Welsh Government on possible new Special Areas of Conservation for harbour porpoise and Special Protection Area for marine birds, and; completed the first round of priority fishing activity assessments.
- Three new application programme interface services have been added to the NRW website, **sharing datasets**, and allowing customers to embed live maps/data in their own applications.

3. Voluntary Exit Scheme

An update on the voluntary severance scheme including numbers of staff that have taken up the scheme and the total cost to date.

The 2016/17 Invest-to-Save application set out the aim to run a voluntary exit scheme. The scheme allowed NRW to address a forecast shortfall in grant aid over the next 3 – 4 years and to support our transformation programme to increase efficiency and effectiveness by providing a means of reducing headcount and releasing money for reinvestment in priority areas.

The proposal was for an expected 80-100 reduction in headcount.

Applications to the scheme were scored on two criteria: replace-ability of the post and business continuity (impact and risk); the scores were then reviewed based on impact across the directorate.

Final outcomes:

Applications Received	Applications Withdrawn	Eligible Applications	Offers Made
257	12	245	116

Compensation Costs:

Offers Accepted	Total Compensation (inc strain costs)
100	£4,710,050

4. Business Plan

A summary of the body's performance against both the 2015/16 Business Plan and the 2016/17 Business Plan (performance to date), including the latest corporate dashboard performance report.

Our performance framework 2015/16 and performance framework 2016/17 to date are below. These both track indicators and measures showing progress against Remit Letter, Corporate Plan and Business Plan delivery.

- 2015/16 final dashboard: [Performance Framework Progress Report - Period 3](#)
- 2016/17 dashboard to date: [Performance Framework Progress Report - Period 1](#)

5. NRW People Survey 2016

Our People Survey was carried out in April 2016 to gauge honest opinions from staff on how they feel about working for NRW and find out which areas we needed to focus on to improve things.

82% of staff completed the survey compared to 58% in 2015.

The survey results have given us an understanding of staff feelings on important issues such as the impact of change, pressures on finances in the public sector and understanding new ways of working.

The results demonstrate issues we need to address to make NRW a better place to work and also underline the passion and commitment our staff to their work and to the wildlife and people of Wales.

[NRW People Survey results](#)

6. Self-policing

A summary of any enforcement or self-policing action the body has taken against itself in the last 12 months.

We publish a record of all our [self-permitting decisions](#) on the website each month.

There have been 112 self-permitting decisions between January 2016 and the end of August 2016. These have been a mixture of abstraction licences, marine licences, flood risk activity permits, Sites of Special Scientific Interest assents and herbicide authorisations.

Water abstraction licences are issued by the Water Resource Permitting Team and their permitting process and legislation requires the submission of our decision documents to the Welsh Government for scrutiny and the option to 'call in'. Welsh Government officials have been consistently satisfied with our determination of the applications.

Investigation of compliance

NRW is certified to the ISO14001:2015 environmental standard. As part of the Environmental Management System (EMS) we have a procedure relating to the reporting and review of environmental incidents.

- During the period 1 April 2015 to 31 March 2016, 18 environmental incidents relating to NRW (or our contractors) were reported and reviewed (in 2014/15, 38 incidents were reported).
- Of the 18 environmental incidents, 10 were caused by contractors working on our behalf.
- None of the incident reports were classed as serious according to the incident classification scheme that NRW uses for environmental incidents.
- Our EMS incident procedure focuses on review and learning from environmental incidents.

7. Grants/Funding Programmes

An update on grants and partnership funding programmes.

The 2016 Competitive Round

NRW's second round of Competitive Funding was launched in the summer 2015 for projects beginning April 2016. The funding was targeted at two areas of NRW's remit:

- Sustainable Management of Natural Resources, focusing on improving the conservation status of habitats and species on the Natura 2000 network of designated sites in Wales (Special Areas of Conservation and Special Protected Areas).
- To support the use of our environment and natural resources to improve people's health, well-being and local surroundings and to support community regeneration and poverty reduction.

Project applications were required to address both areas.

Projects funded by the 2016 Competitive Round

Project Title	Lead Applicant	Amount awarded
Cardigan Bay Marine Protected Area Management	Ceredigion County Council	£44,502
Clwydian Range & Dee Valley AONB	Denbighshire County Council	£226,243
Monmouthshire Coast Care	Monmouthshire County Council	£ 24,972
Pen Llyn a'r Sarnau - Acc & Rec Project	Gwynedd Council	£87,507
Marine Ecosystems Project	Gwynedd Council	£52,585
Aberbargoed Grasslands Ecosystem Restoration	Caerphilly County Borough Council	£37,165
Reconciling conservation and recreation	Snowdonia Active	£17,500
SNPA Mawddach and Wnion Invasive Species Project	Snowdonia National Park Authority	£21,435
12 Sustaining Gower Ash Woods	Down to Earth project	£ 49,295
Milford Haven native oyster regeneration project -	West Wales Shellfishermas' Association LTD	£11,200
Reconciling conservation and recreation	Snowdonia Active	£17,500
	Total	£ 589,904

8. Savings

The latest information on the cash and non-cash realisable savings achieved by the body.

Cash Savings

We have been monitoring the costs and benefits from the creation of NRW against the Welsh Government Business Case. The last full review was undertaken during 2015-16. These figures are summarised below and will be updated later this financial year.

1 Original WG Business Case

All figures in £000

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Benefits	0	6,295	9,299	12,389	14,118	14,232	14,232	14,232	14,232	14,232	14,232	127,494
Costs	-10,575	-13,943	-11,923	-8,744	-5,494	-5,374	-2,973	-2,973	-2,243	-2,243	-2,243	-68,728
Net	-10,575	-7,648	-2,624	3,645	8,624	8,858	11,259	11,259	11,989	11,989	11,989	58,766
NPV	-10,575	-7,390	-2,450	3,287	7,515	7,459	9,159	8,850	9,105	8,797	8,499	42,256

2 Revised WG Target (July 2013)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Benefits	0	-2,721	7,679	12,976	13,879	14,734	15,605	16,074	16,074	16,074	16,774	127,150
Costs	-12,441	-16,584	-16,200	-6,600	-1,600	-1,600	-2,200	-2,200	-2,200	-2,200	-2,200	-66,025
Net	-12,441	-19,305	-8,521	6,376	12,279	13,134	13,405	13,874	13,874	13,874	14,574	61,125
NPV	-12,441	-18,652	-7,955	5,751	10,701	11,059	10,905	10,905	10,536	10,180	10,332	41,321

3 NRW Forecast

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Benefits	0	176	5,725	12,066	15,058	16,375	15,941	15,901	15,901	15,901	15,901	128,942
Costs	-12,441	-10,451	-15,800	-11,517	-6,700	-2,400	-1,900	-1,900	-1,900	-1,900	-1,900	-68,809
Net	-12,441	-10,275	-10,075	549	8,358	13,975	14,041	14,001	14,001	14,001	14,001	60,133
NPV	-12,441	-9,928	-9,405	495	7,283	11,767	11,422	11,004	10,632	10,273	9,925	41,027

Measuring the benefits is becoming increasingly difficult as it becomes harder to distinguish benefits realised from the creation of NRW and those as a result of post-creation decisions.

Non-Cash Savings

We are undertaking a review of the benefits identified early on to verify that they have emerged as expected. We are also adding some recently identified benefits to the register.

9. Financial Position

The latest financial position of the body.

Revenue Budget

In 2016-17 we received a 7% (£6m) reduction in our Grant in Aid. This was in addition to a 3.5% (£3m) reduction in 2015-16. In addition, we faced inflationary and pay pressures such as increases to National Insurance and our Local Government Pension Scheme employer contributions, as well as on-going transformation costs. At the same time, we are starting to realise reductions in our operating costs as we reduce the dependency on our legacy bodies.

We have had to make a series of difficult decisions to balance the budget during this financial year including cutting back on many operational budgets by 10%, substantially amending some service offers, and reducing posts through the Voluntary Exit Scheme (see above).

Since NRW was created, Welsh Government has provided additional funding to support us taking on new responsibilities, transformation and dealing with emergency situations such as dealing with tree health problems and the impact of adverse weather on the forest estate, coastal path and flood assets (see table below).

We have also received Invest to Save funding to run Voluntary Exit Scheme programmes and implement some of our ICT infrastructure changes (see section below).

Our current [financial position](#) was reported to the Board in September 2016.

In summary, the overall financial position for 2015-16 at the end of August remains positive; income is ahead of budget and expenditure is below budget.

Capital Budget

Our biggest capital programme is for flood risk management. Currently, we spend about £20m per annum, although our baseline Grant in Aid is significantly below that level (£6.5m in 2016-17). Funding has been supplemented in recent years by European funding, Wales Infrastructure and Improvement Plan and additional allocations (see below).

Details of any cases made to Welsh Government for additional funding over and above your budgeted financial allocation for both 2015-16 and 2016-17 to address pressures and new responsibilities.

Additional Funding

Additional Grant in Aid was allocated by the Welsh Government for use in 2015-16 and 2016-17 as follows:

Funding allocated for:	2015-16 £m	2016-17 £m
Flood Capital Programme	3.0	3.5
Tree Health	3.3	3.5
New legislation, responsibilities and services	0.7	2.9
Flood Revenue	0.0	0.8
WG Policy priorities (Carbon positive and Marine Aggregate Review in 15-16 and Waste Crime in 16-17)	1.3	0.2
Regulated activities not recovered through charges	0.8	0.4
Organisational Change (Internal Drainage Districts pension deficit in 15-16 and match funding for Voluntary Exit Scheme in 16-17)	0.5	1.0
Total	9.6	12.3

10. Invest to Save

Details of the Invest to Save funding the body has received to date.

Reason	Financial Year	Value £m
Establishment of NRW – ICT Infrastructure	2013-14	£0.5
Voluntary Exit Scheme	2013-14	£3.8
Voluntary Exit Scheme	2014-15	£2.3
ICT Infrastructure	2015-16	£1.0
Voluntary Exit Scheme (not fully utilised – some to return)	2016-17	£3.8

11. Implementation of Legislation

An update on the cost of delivery of NRW's functions under both the Environment (Wales) Act 2016 and the Well-being of Future Generations (Wales) Act 2015.

In 2015 we shared our initial estimates of the costs incurred meeting the requirements of both the Environment (Wales) Act 2016 and Well-Being of Future Generations (Wales) Act 2015. We estimated a cost of £770k in 2016-17 and £1.1 million in 2017-18. Welsh Government allocated £770k in 2016-17 and we are in the processing of re-assessing the costs for 2017-18.

An update on progress to date in delivering NRW's functions under these Acts.

In addition to the progress reported in section 2 (above) we have:

- Developed draft internal guidance on the application of experimental schemes;
- Explored the role of payment for ecosystem services in furthering sustainable management of natural resources;
- Considered the role of Strategic Environmental Assessments and Sustainability Appraisals in the preparation of Area Statements;
- Input to the development of various plans and strategies to ensure they reflect our new purpose and ways of working.

12. Wales Audit Office

An update on progress made to implement the recommendations in the Auditor General for Wales' February 2016 report.

We are making good progress on implementing recommendations following Wales Audit Office's report Development of NRW; see Annex 1 for a summary. Key achievements include:

- Addressing long term accommodation needs through thorough strategic review of accommodation needs and alternatives in line with organisational restructure and utilisation surveys.
- Streamlined management information reports.
- Reviewed NRW Board operating arrangements.

13. Brexit

Views of the implications of Brexit for NRW.

NRW is represented on the Cabinet Secretary for Environment and Rural Affairs' roundtable meetings to advise the Welsh Government on the implications of leaving the European Union on policy and legislation.

Annex 1

WAO Development of NRW Response Action Plan

Ref	WAO Recommendation	NRW Action	NRW Lead	Due	Update	Status
R1a	To enable NRW to undertake more robust medium-term planning, the Welsh Government should provide NRW with more certainty over future funding arrangements, particularly for the next three years, including whether additional funding will be available for the increased statutory responsibilities.	Following the Assembly election in May 2016, discuss with Welsh Government the indicative funding position for 2017-18 to 2019-20 and how WG can provide more long-term certainty.	Executive Director of Finance and Corporate Services	31 October 2016	We have had discussions and made submissions on our future funding to WG during August 2016. These include the impact on funding reductions, the need for longer term funding certainty, capital requirements and the funding of new responsibilities. The draft WG Budget was published in mid-October.	On track
R1b	NRW should engage in dialogue with the Welsh Government and stakeholders to agree on the key delivery priorities for NRW over the next five years, and to manage expectations of its role and its contribution to environmental outcomes, given reduced funding.	Deliver NRW Corporate Plan 2017-2022 Engagement Plan including Welsh Government and capture feedback from all stakeholders including WG	Director of Governance	September 2016	New deadline agreed with Welsh Government as corporate plan is now scheduled for late 2017. Discussions have been held with the NRW Board on NRW's draft well-being objectives which will provide some of the core content for corporate plan engagement with stakeholders and staff.	On track
R2	NRW and the Welsh Government should agree an appropriate approach to monitoring and reporting benefits realisation in the context of the wider action that NRW is taking in	NRW to complete 2015/16 benefits realisation report.	Transformation Portfolio Director	31 December 2016	The Benefits Register is being updated to reflect end of the Q2 position.	On track
		NRW / WG sponsorship meeting to agree future requirements for benefits	Transformation Portfolio Director	28 February 2017	Early discussions have started with WG to be able to stop reporting at the end of March 2017.	On track

Ref	WAO Recommendation	NRW Action	NRW Lead	Due	Update	Status
	response to budgetary pressures.	realisation reporting				
R3a	Consider NRW's long-term accommodation needs	Continue development and implementation of NRW long term Accommodation Strategy.	Executive Director of Finance and Corporate Services	31 March 2017	<p>Current ongoing work includes:</p> <ul style="list-style-type: none"> Appointed an Accommodation Officer Focus on rationalisation of small offices/ depots, Accommodation to be aligned with the new NRW structure and approach to place-based delivery. E.g. moved staff from Llwyn Brain to Maes y Ffynnon in Bangor. Co-location with Universities and other public sector bodies is being investigated. 	On track
		Complete strategic options for South, North and Mid Wales to reflect new organisational structure and requirements.	Executive Director of Finance and Corporate Services	31 December 2016	<p>North Wales and Mid Wales projects will be complete by 31 December 2016 and 31 March 2017 respectively.</p> <p>Ongoing work will take the South Wales project to completion by December 2018. A project officer has been appointed.</p>	On track
R3b	Make more effective use of data in order to track sites' usage, expenditure, and performance; and to assess effectiveness of the rationalisation programme.	Complete utilisation survey programme at largest sites.	Executive Director of Finance and Corporate Services	Ongoing	<p>Utilisation surveys are used as part of ongoing accommodation needs analysis.</p> <p>Surveys have been completed in North and Mid Wales. Larger South Wales offices will be surveyed by March 2017.</p>	On track
		Implement Agile working principles.	Executive Director of Finance and Corporate	31 December 2016	Principles approved and in use for current and future accommodation	Completed

Ref	WAO Recommendation	NRW Action	NRW Lead	Due	Update	Status
			Services		projects.	
		Implement expenditure and performance tracking for sites post rationalisation	Executive Director of Finance and Corporate Services	30 September 2016	Regular meetings with Business Finance to track rationalisation savings.	Completed
R4	NRW should ensure that the approach to job evaluation is flexible enough to meet NRW's future business needs.	Review NRW generic role profiles to ensure they are fit for future business needs	Executive Director of Organisational Development and People Management	31 March 2017	Job evaluation details are being finalised through ongoing discussions with trade unions and arranging Ministerial approval of final scheme.	On track
R5	NRW should review its staff and stakeholder engagement activities to demonstrate value, effectiveness and alignment to organisational purpose, priorities, and the transformation programme activities and outcomes.	Implement regular feedback process for Executive Team and the NRW Board using new Communications Dashboard.	Director of External Relations and Communications	31 March 2017	A Stakeholder Engagement Board is in place to deliver plans for a fresh approach that is aligned to the Corporate Plan. Stakeholder sector plans have been reviewed and new template under review.	On track
R6	NRW should monitor its use of workforce-related data to ensure it is meaningful and accurate and reported appropriately through to the Executive Team and NRW Board, and to other Committees where relevant.	Continue to report regular monthly workforce management information.	Executive Director of Organisational Development and People Management	31 March 2016	Workforce related data is now regularly and accurately reported to the Executive Team and Directorates. Key metrics (e.g. wellbeing, health & safety) are reported to the People and Remuneration Committee and NRW Board	Completed
		Review use of workforce data, how it is reported and agree future reporting requirements.	Executive Director of Organisational Development and People Management	31 March 2017	Improved wellbeing, health and safety data now available. Wider organisational change is being prioritised as this will drive workforce data requirements	On track

Ref	WAO Recommendation	NRW Action	NRW Lead	Due	Update	Status
R7	The Welsh Government and NRW should ensure that they set out clear guidelines on the expected role of Board members given the reduction in time, and keep under review whether the reduction in time has any impact on the effectiveness of the Board.	Agree New NRW Board terms of operation.	Director of Governance	31 March 2016	The new NRW Board has agreed its 'modus operandi' including format and frequency for NRW Board meetings, Committee membership, NRW Board update sessions, NRW Board sub-groups and 'champion' roles. NRW Board documentation, including the NRW Board Handbook, has been updated to reflect these new arrangements.	Completed
		Review effectiveness of NRW Board operations	Director of Governance	31 March 2017	An NRW Board effectiveness exercise, facilitated by Academi Wales, scheduled for 31 October 2016.	On track
P1	Risk Management – Embed key risk management processes	Complete actions in NRW Internal Audit Risk Management Action Plan	Director of Governance	31 March 2017	Revised approach to risk management agreed at NRW Board in September 2016. To be implemented through the remainder of 2016/17.	On track
P2	Procurement – response to Welsh Government Procurement Maturity Model self-assessment	<p>The Maturity Model pilot is currently being undertaken by NRW.</p> <p>Once complete we will work with Value Wales to agree:</p> <ul style="list-style-type: none"> - the date for them to undertake their own assessment of NRW - how the "lessons learned" from the pilot will be fed into the revised Maturity 	Executive Director of Finance and Corporate Services	30 September 2016	<p>NRW self-assessment for the WG Maturity Model for FY15/16 completed.</p> <ul style="list-style-type: none"> - WG are currently undertaking a review of their approach to a third party check. We await the outcome of this review and will then work within the agreed approach to facilitate a third part review of our maturity matrix. - We have provided formal feedback to the Senior Project 	On track

Ref	WAO Recommendation	NRW Action	NRW Lead	Due	Update	Status
		Model in readiness for its launch throughout Wales			Manager which was reviewed alongside feedback from South Wales and Dyfed Powys Police and has been implemented. Requested amendments to the pilot were also made during the year where the requirement was justified.	
P3	Grants Management – response to Environment and Sustainability Committee concerns in relation to processes for awarding and administering grants.	Implement recommendation from Business Area Review of how Grants are awarded, administered and managed	Executive Director of KSP and Executive Director of Finance and Corporate Services	31 May 2016	Future approach to grant administration approved by NRW Board in September 2016.	Completed
		Review effectiveness of new process and amend where necessary	Executive Director of KSP and Executive Director of Finance and Corporate Services	31 March 2017	New arrangements will apply to grants rounds from 2018/19. Ongoing actions to address internal audit report will be delivered to agreed timescales.	On track

19 October 2016

By virtue of paragraph(s) vi of Standing Order 17.42

Document is Restricted

Agenda Item 5

Climate Change, Environment and Rural Affairs Committee

Date: 02 November 2016

Time: 10.45 – 12.15

Title: Evidence paper – Draft Budget 2017-18
Cabinet Secretary for Environment and Rural Affairs

Purpose

1. This paper provides information to the Climate Change, Environment and Rural Affairs Committee on the Environment and Rural Affairs (MEG) proposals outlined in Draft Budget 2017-18, published on 18 October. It also provides an update on specific areas of interest to the Committee

Background

2. The draft budget 2017-18 provides a one year plan for revenue investment and a four year plan for capital investment in the provision for Environment in Wales. The tables below provide an overview of the Environment and Rural Affairs (MEG) as published in Draft Budget 2017-18.
3. The draft budget figures are summarised as follows:

ERA MEG						£m
ERA Summary	2016-17 First Supplementary Budget £m	2017-18 Draft Budget New Plans £m	2018-19 Draft Budget New Plans £m	2019-20 Draft Budget New Plans £m	2020-21 Draft Budget New Plans £m	
Resource DEL	278.600	284.597				
Capital DEL	107.300	83.772	61.241	56.754	52.878	
Total DEL	385.900	368.369	61.241	56.754	52.878	
Resource AME	2.400	2.400				
Capital AME	0.00	0.00				
Total AME	2.400	2.400				
Total – ERA MEG	388.300	370.769				

4. To enable a like for like comparison of the 2016-17 budgets with the 2017-18 draft budgets, the First Supplementary Budget figures for 2016-17 above need to be adjusted to remove any one off allocations and include any permanent MEG to MEG transfers.

5. The following table details reconciliation from the published First Supplementary budget 2016-17 to the adjusted 2016-17 baseline budget.

Revenue DEL	£m
2016-17 First Supplementary Budget	278.600
Reversal of Flood consequential brought forward from 2015-16	(2,300)
Natural Resources Wales – Invest to Save repayment complete	1.783
Recurrent transfer from Economy and Infrastructure for Energy	0.294
2016-17 Adjusted Revenue baseline (for comparison)	278.377
Capital DEL	£m
2016-17 First Supplementary Budget	107.300
Re-allocate General Capital Budget to LG MEG	(13.100)
One Year allocation for Rivers and Canals Trust	(2.500)
2016-17 Adjusted Capital baseline (for comparison)	91.700

2017-18 Draft Budget

6. In the Draft Budget 2017-18, the Environment and Rural Affairs Revenue budget (Inc. Non Cash) has increased by £6.22m from the adjusted revenue baseline budget. This includes a decrease in respect of the Waste procurement programme of £2.997m which is an adjustment to reserves based on previous years funding; and an increase to the provision of non cash allocation of £9.746m to cover depreciation costs.
7. There is also a recurrent savings requirement of £0.529m which was agreed by Cabinet on September 20. The relatively small revenue reduction was applied to the CAP Reform Budget (BEL 2789) which has ceased to require a revenue budget going forward. Therefore I was able to return the full £0.529m to reserves without having to reduce or impact on any of my programmes.

Revenue DEL	£m
2016/17 adjusted revenue baseline	278.377
Waste Procurement Programme adjustment	(2.997)
Required MEG Savings (apportioned to CAP Reform)	(0.529)
Additional non cash resource allocated	9.746
2017-18 Draft revenue budget	284.597

8. As part of my review of my budgetary review, I have re-allocated and prioritised a number of budgets to ensure that I have the right balance of investment across my portfolio to support the Programme for Government priorities. These are detailed below.

Realignment of revenue budgets within MEG (By Action)	£m
Develop & implement climate change policy, energy efficiency, Green Growth and Environmental Protection: additional budget allocated to cover the costs of the Housing Conditions survey.	0.397
Develop & implement climate change policy, energy efficiency, Green Growth and Environmental Protection: additional budget allocated to cover pressures on Local Partnerships.	0.636
Develop and deliver overarching policy and programmes on Agriculture, Food and Marine: additional funding in respect of the Natural Resources Monitoring Programme (NRMP) and the Commons Act plus realignment to reflect current forecasts on County Parish Holdings (CPH) and Electronic Identification (EID) Cymru developments.	1.834
Developing and managing Welsh marine, fisheries and aquaculture including the enforcement of Welsh Fisheries: additional budget allocated to cover revised forecast for the European & Maritime Fisheries Fund and oversight of marine planning.	0.430
Developing and marketing Welsh Food and Drink: additional budget allocated to fund the Small Business Research Initiative (SBRI) project, which will develop research in Health Related Food.	0.200
Manage & implement the Waste Strategy & waste procurement: realignment to fund pressures elsewhere.	(2.000)
Deliver nature conservation and forestry policies and local environmental improvement: realignment to cover pressures elsewhere.	(0.736)
Planning & Regulation: realignment to cover pressures elsewhere.	(0.579)
CAP Administration and making payments according to EU and WG rules: realignment of budget as programme closes.	(0.182)

Capital Allocations

9. Cabinet agreed in September to allocate the majority of capital at the outset of the planning period, providing long term certainty and flexibility to manage the Governments' investment in line with priorities.

10. It was inevitable the capital requirements across Government would outweigh available capital. The Capital settlement for Environment and Rural Affairs is no doubt challenging over the four years, and I have had to profile my capital programme in line with my priorities.

11. In the Draft Budget 2017-18, the Environment and Rural Affairs Capital budget decreases by £8m compared to the 2016/17 revised baseline. The allocations are detailed below to the following Programmes.

Capital DEL allocations	BEL	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m
Fuel Poverty (Arbed and NEST)	1270	19.000	20.180	19.000	15.000
Green Infrastructure	New	3.612	3.205	3.289	7.975
Green Growth	2809	7.000	5.000	0	2.000
Flood Risk management	2230	29.000	17.000	17.000	18.000
Waste	2190	4.000	4.000	10.500	4.000
Natural Resources Wales	2451	3.695	1.695	1.695	1.695
Landscape & Outdoor recreation	2490	1.000	0	0	0
CPH	2861	0.570	0	0	0
EID Cymru	2862	0.320	0.321	0.120	0
Commons Act	2866	1.100	0.500	0.300	0.300
CAP Reform	2789	1.574	0	0	0
Rural Development Programme	2949	8.166	8.149	4.400	3.675
European & Maritime Fisheries	2830	0.235	0.391	0.450	0.233
Marine Enforcement	2870	4.500	0.800	0	0
2017-18 Draft Capital Budget		83.772	61.241	56.754	52.878

12. The capital budgets have been profiled to ensure:

- NEST has been supported at £15m p.a. to ensure sustainability and value for money in this essential Fuel Poverty Scheme.
- The EU funded Arbed 3 has been allocated at £12m domestic match funding at £4m p.a. to ensure a total scheme value of £34m over the term of the Government.
- A £7m investment in Green Growth Funds in 17/18 with further Financial Transaction Support of £5m in 18/19.
- A £4m Waste capital baseline over the four years to fund the Collaborative Change Programme and Waste Procurement Programme. There is an additional £6.5m in 2019/20 for a Circular Economy Capital Investment Fund, a long term waste strategy.
- Flood Capital budgets have been profiled to ensure enough capital funding in year 1 to fund the current programme commitments and

capital for design and development costs for schemes which will be funded under the £150m innovative Coastal Risk Management Programme (CRMP), and reducing only when there the CRMP becomes online in 18/19 onwards.

- Green Infrastructure will also include a new Grant programme as well as funding for Coastal Path and the “LIFE” EU programme.
- Completion of the CAP Reform and ICT requirements in Agriculture for 2017/18 only.
- Capital Funding for the Rural Development Programme (RDP) and European Maritime Fisheries Fund (EMFF) in line with current forecasts.
- Funding for the Databases for County Parish Holdings (CPH), and EID Cymru projects as well as further developing the Common Land Register.
- An additional £2m in 2017/18 to NRW to cover capital pressures such as P Ramorum (Larch tree disease).
- Funding for three Marine Enforcement Vessels, Replacement of Marine and Fisheries vehicles.

Programme for Government

13. All of my budgets are aligned to Programme for Government commitments and are deliverable from within the available budget. It is a question of being able to prioritise the work from within the overall budgets. This will clearly be the challenge and I will be ensuring that I and my delivery partners are focussed on delivering against these commitments.

14. In line with the recently published Programme for Government, I am confident that my portfolio budget will contribute to building a united, connected and sustainable Wales. In particular:

- **Successful, sustainable rural communities:** Work with partners to secure a prosperous future for Welsh agriculture;
- **Environment:** Make progress towards our goal of reducing our greenhouse emissions by at least 80% by 2050 (a duty under the Environment (Wales) Act), invest in the skills required for the green economy, promote green growth and innovation, continue to improve recycling and minimise landfill and continue to invest in flood defence work and take further action to better manage water in our environment.

15. Climate Change is a cross-cutting responsibility for Welsh Ministers: all departments support and work towards both reducing greenhouse gas emissions and enhancing Wales’ resilience to climate impacts. As such the exact spend cannot be quantified. However a number of areas of my portfolio have direct impact on climate action such as flood management (£51m), waste reduction (£76m) green growth and energy efficiency (£40m).

16. Energy efficiency is a major factor in green growth, jobs, skills and supply chains; it is the most cost-effective means of meeting our commitments to reduce carbon emissions; it lowers costs for businesses in the public sector, and it can directly address fuel poverty and reduce energy bills.
17. Maintaining the flood risk management budget is essential to sustain and build our resilience to flooding and future climate change. It is not only investment in new assets that is vital but also funding to carry out maintenance of our existing assets.
18. Approximately 208,500 properties in Wales are at risk of flooding from rivers and the sea and 163,000 at risk from surface water (some are at risk from numerous sources). To reduce this risk, there are 513km of flood assets around Wales (owned by NRW alone) benefitting over 74,000 properties.
19. My budget will ensure that existing commitments for flood and coastal schemes already commenced, including Local Authority and NRW schemes such as St Asaph, Crindau, Roath, Boverton and Porthcawl will continue to be funded to completion. Large projects often take longer than a year to complete and can be subject to conditions limiting when construction can take place, therefore requiring funding over multiple years.
20. Where traditional budgets are reducing, we have to be more innovative in the way we fund our capital programmes. The Coastal Risk Management Programme (CRMP) does just that.
21. The Coastal Risk Management Programme (CRMP) is an excellent example of a well developed spending proposal. It has been developed in full conjunction with our stakeholders, encompassing best practice programme management and business case development techniques and is supported by an appropriate governance structure.
22. CRMP represents a new way of financing a £150m tranche of future capital investment to increase coastal resilience. I am confident that this programme will develop in time, to invest £50m per annum over the three years from 2018/19, with a capital investment from Welsh Government of just £5m capital per annum for development of projects.
23. Green Growth is a path of economic growth that uses natural resources in a sustainable manner. We are developing options to support and encourage investment in energy and resource infrastructure in Wales. These options include *Green Growth Wales*, a potential fund that will be a central pillar of the Government's flagship Green Growth agenda. It will publicly demonstrate the Government's commitment to sustainable development, supporting green investment, reducing carbon emissions, and delivering more effective use of our natural resources.

24. Green Growth Wales will create additional renewable capacity equivalent to at least 10% of Wales' electricity needs over 20 years, and benefit the Welsh economy and people by bringing in additional investment and creating/protecting employment through renewable energy projects and resource reduction.
25. Investment in Wales leads the way in the UK when it comes to recycling. We are well on track to meet our 70% target by 2025, thanks to Local Authorities and householders' commitment to recycling. I have protected capital investment in the Collaborative Change Programme to ensure that we help local authorities achieve these recycling targets and lower costs.
26. Additionally, the Waste Capital budget for 2019/20 includes an investment in the Circular Economy Capital Investment Fund of £6.5m. A key policy priority in order to maximise the contribution towards the well-being goals is to increase the reuse and recycling elements of the circular economy approach for Wales. The proposed fund is to develop a significant number of small-scale (<£50,000) capital projects to assist SME's make the transformation towards the 'Circular Economy'

Preventative Spend

27. Our investment of over £51m in Flood and Coastal Erosion Risk Management is vital to alleviate risks and reduce the likelihood of major economic losses following flooding. Recent research shows that an investment of £100m reduces risk for 7,000 homes and business, protects over 14,000 jobs and creates over 1,000 jobs. Additionally, spending money on maintenance reduces the risk of asset failure and therefore the need for larger spend on repair or replacement.
28. Within the Waste budget, the support provided via the Collaborative Change Programme (CCP) is time limited and intended to result in Local Authorities having lower costs of waste and recycling services. By 2020 all local authorities will have had the opportunity to receive support to reduce costs. The support is provided by technical specialists from Waste and Resources Action Programme (WRAP) Cymru. They advise on every aspect of a Local Authority's waste management and recycling service, including containers, vehicles, depot, equipment, materials marketing and communications.
29. Investing in energy efficiency programmes has a significant impact on preventative spend. Wales has 1.4 million homes across a wide range of housing types with 30% of households in Wales estimated to be in fuel poverty. Energy efficiency is the most effective tool that we have within our powers to tackle fuel poverty. Warmer homes can also have a demonstrable positive impact on people's wellbeing and health.

30. Welsh Government Warm Homes which includes the Nest scheme and Arbed projects, has improved over 27,000 homes since 2012. These improvements will help to reduce the cost of domestic energy bills and increase levels of disposable income, which also contributes to wider Welsh Government action to tackle income poverty.
31. The Welsh Government TB Eradication Programme should be seen as a "Spend to Save" programme which will ultimately boost the Welsh economy. The ultimate outcome is the successful eradication of bovine TB, this will bring with it a reduction to Welsh Government in TB Eradication spend and TB Compensation spend and associated costs, as well as a reduction to the consequential losses faced by the industry, thereby boosting the Welsh economy.
32. In addition, I have ensured that I have in place a robust system of monitoring and evaluation in particular to demonstrate value for money across all of our expenditure programmes.

Brexit

33. The result of the EU referendum has added to the level of uncertainty about future resources for Wales. Wales is a net beneficiary of EU Structural Funds with £650m of EU funding coming into Wales each year. This is funding which plays a vital role in supporting growth and jobs across Wales, helping people into work and training, supporting businesses, driving innovation and helping to regenerate communities.
34. I welcome the Chancellor's confirmation that Treasury will provide a guarantee for all structural and investment projects approved before the UK leaves the European Union. This is a guarantee we have been calling for since the Referendum result in June.
35. Currently, we remain a UK Member State and as such the Welsh Government has to ensure it maintains its commitments and obligations to its various Programmes and funding streams as agreed with the European Commission. The recent statement by the UK Government means that the UK will have left the European Union by March of 2019. Until we actually leave the EU, funds such as the CAP (Pillar 1) payments and the RDP (Pillar 2) will come to Wales as normal which means that we can be reasonably sure of funding up to 2020 and can approve projects that are committed during that period.
36. This means that any application that will be approved before end of November will be funded for their life time – i.e. beyond 2018 where this is appropriate. In the case of Glastir we are assuming that this includes agreements currently submitted that would be signed in early 2017 to coincide with EU timetables; on that basis we have resumed final negotiations with applicants.

37. RDP investment scheme windows that will open in the next few months are for projects that will complete their spend before the end of 2018 / early 2019 so will operate normally. The same arrangement applies to the Structural Funds, the European Territorial Co-operation and the European Maritime and Fisheries Fund.
38. Beyond that date we have recently had assurances from HM Treasury that they will fully fund all RDP projects currently approved or due to be approved during the ordinary course of business before the Autumn Statement (late November 2016).
39. Work continues with HM Treasury to agree what will happen to funds not covered by these assurances such as future Glastir windows, as these would commit funding well beyond our exit from the EU.
40. The longer term implications of leaving the EU do not escape me and the need to take preparatory action remains a top priority. I have established a team of officials who are engaging with policy teams across my portfolio as well as with external stakeholders.
41. We are working collaboratively to identify the key issues for Wales that need to be accounted for in any discussions with the UK Government as well as identify risks and opportunities associated with withdrawal from the EU. These actions will help identify and focus on transitional measures we will need to take.
42. I welcome the response by our industry to actively engage in this process and we can use the information gained to help make informed decisions on future adjustments to budgets that will support transitional needs and requirements”.

Legislation

Well-being of Future Generations (Wales) Act

43. We are committed to using the Well-being of Future Generations Act to improve how we make decisions about the social, economic, environmental and cultural well-being of Wales. Our budget proposals have been shaped against the new duties from the Act, reflecting our commitment to its full and successful implementation.
44. At the core of the Act are five ways of working which have informed our overall approach to setting budget allocation in the following ways:
- we have taken account of the **long term** impacts and balanced this against our short-term needs:
 - the approach of **prevention** in acting to prevent problems from occurring or getting worse has underpinned our decision making:

- taking an **integrated** approach we have developed a wider understanding of the cross-cutting pressures that exist across our priority areas.
 - through continued **collaboration** and engagement we gain a valuable contribution to our evidence base in understanding the impacts of our decisions.
 - We have had to make difficult decisions about how to spend our budget next year but our decisions have been guided by our principles and values of fairness, equality and social justice and investing in health, the economy and our communities for the long-term.
45. The Well-being of the Future Generations (Wales) Act has helped us to make our decisions and we have reflected the sustainable development principle in our decisions our spending plans.⁴⁶ I have chosen to approach the budget preparations by looking at the evidence of needs and pressures in our priority areas in *Taking Wales Forward* - Prosperous and Secure; Health and Active; Ambitious and learning, United and Connected.
46. This approach is reflected in our decisions to invest in and protect our public services and preventative programmes and to balance short-term and long-term needs.
47. Our Draft Budget material shows how we have sought to reflect the framework of the Act in setting our spending priorities. We reviewed current trends and future projections and their potential impacts in the short, medium and longer term. We did this to ensure, as far as possible, that short term responses do not have longer term detrimental impacts.

Planning (Wales) Act

48. The Regulatory Impact Assessment for the Planning (Wales) Act sets out the financial impacts of the Developments of National Significance (DNS) process generally. I have also published an Explanatory Memorandum and Regulatory Impact Assessment to accompany six statutory instruments that prescribe the detail of the DNS process, the first tranche of which were laid on 4 December 2015.
49. The Regulatory Impact Assessment states that the DNS fee structure is based on a full cost recovery model and is therefore intended to be cost neutral.
50. There is a modest initial set up cost of around £14,000 falling in 2016-17 and, given that many of the applications would have been likely to have been decided by the Welsh Ministers as a call-in or on appeal under the current system, it is likely that there will be an annual operational cost saving for the Welsh Government of around £24,000.

51. The draft budget makes provision for implementing the remaining parts of the Planning (Wales) Act 2015, in particular the production of the National Development Framework and supporting Local Planning Authorities to bring forward Strategic Development Plans. Any costs associated will be managed within the Planning and Regulation budget, BEL 2250.

Environment (Wales) Act

52. The costs and benefits of the Bill have been assessed and indicate that the benefits outweigh the costs, over the long term.

53. The overall costs of the Bill have been estimated as £291 million and the benefits have been estimated as £359 million (both measured in present value over 10 years). Therefore the Bill will result in an estimated net benefit of £68 million (PV over 10 years).

54. The main costs of Part 1 of the Act relate to NRW and will be approximately £3.41m to £4.51m over 10 years (PV). These costs are mainly for NRW to produce State of Natural Resources Report (SoNaRR) and area statements.

55. Part 2 of the Act will ensure that Wales is able to reduce its emissions and undergo the transition to low carbon in line with international, EU and national obligations. The implementation of legislative targets and a carbon budget framework in itself does not introduce additional costs to any bodies external to Welsh Government.

56. Part 3 replaces the existing carrier bag charging regime in the UK Climate Change Act 2008 with new provisions which are now in the Environment (Wales) Act. The new provisions are generally the same as those in the UK Climate Change Act except that the Welsh Ministers are able to set a minimum charge for any type of carrier bag. The only costs to Welsh Government arising from Part 3 of the Bill will be staff costs. Costs of monitoring and enforcing the regime falls to Local authorities and will be in the region of £0.39m (PV over 10 years).

57. Part 4 of the Act gives greater certainty for investment in recycling, waste collection and treatment infrastructure, which will provide benefits to the economy, jobs and the environment.

58. Modelling predicts there will be a net financial benefit to Wales of £69.5 million, an additional 2.5 million tonnes of recycled materials and a CO₂ equivalent abatement of 2.1 million tonnes over a ten year period – making an important contribution to Wales CO₂ emission targets.

59. In present value terms, the estimated costs for the waste provisions of the Act are £159 million over 10 years with benefits of £218 million. There will

be administrative costs to Welsh Government of £0.09m (PV over 10 years) arising from Part 4 of the Bill. Further there will be administrative costs of £0.03m (PV over 10 years) and on going costs of £0.43m (PV over 10 years) which will both fall on NRW.

60. Costs arising in 2016/17 will be around the development of these regulations and will be met from the Waste BEL 2190.
61. Regarding Part 6 of the Act – Marine Licensing, means the fees and charging powers obtained will be implemented through secondary legislation made by Welsh Government and fees recouped by Natural Resources Wales (NRW) to cover the cost of the marine licensing services provided.

Wales Bill – extension of marine licensing functions to the offshore area.

62. Natural Resources Wales, acting as the licensing authority on behalf of the Welsh Ministers, in the inshore area currently can recoup costs associated with determining marine licence applications and associated services. New fees and charges will be introduced from April 2017 designed to achieve full cost recovery of marine licensing services delivered by NRW.
63. The Wales Bill will devolve marine licensing functions to the Welsh Ministers in the offshore area. The licensing authority in the offshore area will be able to recover costs through the existing fee charging powers and therefore it is anticipated that costs will be neutral to Welsh Government in delivering the new functions.

Wales Bill – extension of nature conservation functions to the offshore area

64. Through the Wales Bill we are seeking an extension of marine nature conservation functions in the Welsh inshore region (0-12 nautical miles) to include the Welsh offshore region (seas beyond 12 nautical miles to the median line). The provisions provide for the protection of habitats and species, including the creation and management of marine protected areas.

Wales Bill – Devolution of additional energy consenting powers:

65. The Wales Bill currently proposes to devolve additional powers in relation to energy consenting in Wales. Our work in negotiating with the UK Government on these provisions and their implementation after the Bill receives Royal Assent will be met through existing Departmental Running

Costs and Programme budgets. The current policy intention is that future Welsh Government costs relating to the operation of the consenting arrangements to be introduced are to be recovered by an application fee.

Natural Resources Wales (NRW) Allocations

66. NRW have made significant progress in a number of areas to establish their foundations and in particular have begun developing Natural Resource Management as our core approach to the delivery of all their responsibilities.
67. Additionally, their legislative responsibilities has also seen them working to implement the requirements of new legislation, particularly the Well-being of Future Generations Act (Wales) 2015, Environment Act (Wales) 2016, Planning Act (Wales) 2015 and the Historic Environment Act (Wales) 2016.
68. NRW are undergoing a major programme of Business Area Reviews to consider how they are structured to deliver their priorities. As published in their recent Business Plan, NRW have so far established savings to reduce costs and improved productivity in ways that will deliver more than £90m of benefits. There are many more opportunities to improve productivity and reduce costs as part of their Transformation plans.
69. I have carefully considered the budget and priorities regarding NRW and given the challenges and transformational pressures they face, I have decided to allocate an additional £9.8m in 2017/18. This will mean a cash flat settlement for their revenue Grant in Aid, a £7.8m increase in Non Cash budget to cover increased depreciation costs (funded from reserves), and a £2m increase in their capital budget for 2017/18.
70. NRW face considerable capital pressures, including P Ramorum which is Wales's most serious tree health problem with most of the infected Larch situated on Welsh Governments' woodland estate. This additional funding will go some way of aiding NRW tackle these and other capital pressures during 2017/18.

Equality

71. Integrated impact assessments have been undertaken this year for the budget lines showing the most significant budget changes within the Natural Resources portfolio. After reviewing the key changes above, a

number of key programmes were subject to Integrated Impact Assessments covering equality, Welsh language and Children's Rights. Integrated impact assessments are mainstreamed into policy setting as well as budgetary decisions.

72. The results from the impact assessments show that there are no disproportionate impacts on the identified groups due to these budgetary decisions.

Welsh Language

73. The Welsh Language (Wales) Measure 2011 and proposed Standards require us to do the following three things:

1. Consider the effects or impacts of our policy decisions on the Welsh language (both positive and negative)
2. Consider how to increase positive effects, mitigate or reduce adverse effects and take all opportunities to promote the use of Welsh
3. Seek views on the effects on the Welsh language when engaging or consulting and to seek the view of Welsh speakers and users of the language.

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

Children's Rights

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

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

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

77. Across my portfolio, each member of staff is required to consider how their work affects children's rights, and this process has informed the Integrated

Impact Assessment. No significant impacts on children's rights have been identified in the setting of this budget.

Bovine TB Eradication Plan

78. We continue to evolve our approach to TB Eradication in Wales. The steps taken to date have had a positive impact and only 5% of herds in Wales are subject to TB Breakdowns. A relatively small number of chronic herds remain particularly difficult to resolve. For all such chronic herd breakdowns, I am proposing bespoke eradication plans, developed through consultation between the farmer, the private vet and the Animal and Plant Health Agency. These plans will aim to eliminate infection, reduce the risk of wider disease spread to restore holdings to Officially Tuberculosis Free (OTF) status.
79. Our understanding of the disease picture across Wales improves each year and our policies will be tailored to account for local issues through a regional approach. By setting Low, Intermediate and High TB Areas, appropriate measures can be implemented in each area either to protect an area from disease or to bolster existing measures to further drive disease down.
80. It is important the direction we take is right for Wales and cost effective in its delivery. Our strategic approach continues to have regard over the longer term requirements associated with successfully tackling the disease. In that context, the result of the EU Referendum does not sway us from our commitment to eradicate bovine TB from Wales.
81. The 2017 UK TB Eradication Plan has been submitted to the European Commission. We are currently awaiting the outcome of their considerations. The approval of TB Eradication Plans attracts a level of co-financing which normally amounts to between £2-3m per year which can be seen in TB EU Income Budget BEL 2269.
82. Measures to strengthen our approach to TB eradication have been progressively introduced since the Programme began in 2008. Cattle control measures continue to be the main focus of the Programme and this will continue to be the case.
83. In terms of the budget, I am confident that the current budgets will be sufficient to continue the TB eradication plans, and as such I have not amended the budgets from the previous year.

Implementation of the Commons Act 2006

84. Through the Commons Act 2006, the Welsh Government aims to safeguard the future diversity and variety of common land in Wales by simplifying the complex legislation that has previously protected it.

85. The next priority is to bring forward those sections which will allow mistakes in the registers of common land to be corrected. Officials are currently working to implement sections 19, 22 and Schedule 2 in line with the Ministerial commitment to bring these provisions into force by the end of March 2017.
86. Work is ongoing to develop a fee structure in respect of applications made under the remaining provisions of Part 1 (Registration) of the Act and this will be introduced along with Sections 19, 22 and Schedule 2.
87. Following the implementation of sections 19 and 22 the priority will be the remaining sections of Part 1 of the Act which will establish a revised and updated system of registration in Wales. Section 25 of the 2006 Act allows that a Register of Common Land to be kept in electronic form. It further provides for those regulations to include a process of converting the current paper register and maps into electronic format.
88. To maximise the benefits I intend to implement Electronic Registers in Wales which will deliver significant benefits in respect of the management of Welsh commons and will establish a national system that is consistent and accessible 24 hours a day.
89. It is estimated that the timescale for the development and introduction of Electronic Registers would be 3 years with a further 2 year period of support being provided to local authorities. My officials are currently revisiting the delivery methodology and I envisage that following appropriate procurement system development will begin in the second half of 2017.
90. The 2006 Act also makes provision for the creation of Commons Councils, schemes for the regulation and management of commons within a district council or National Park, and to effect minor and consequential amendments and repeals (S.50 – Schemes under the Commons Act 1899, S.52 – Minor and consequential amendments and S.53 – repeals).
91. It is proposed to implement these sections of the 2006 Act through a rolling programme of events following the implementation of the priority areas, namely section 19 and 22 together with the remaining parts of the registers in electronic form.
92. For the above actions I have allocated £433k revenue budget in 2017/18 and £2.2m capital budget profiled over the next four years to commit to developing the Commons Act registers.

Implementation of the Wales Animal Health and Welfare Framework

93. The Wales Animal Health and Welfare Framework sets out our long term vision for animal health and welfare in Wales. In July, I published the

second annual implementation plan under the Framework along with a review of the 2015/16 year. The plan for 2016/17 sets out the priorities for the year and key actions for delivery as agreed by Welsh Government and the Wales Animal Health and Welfare Framework Group. These priorities contribute to agreed strategic outcomes for animal health and welfare and also to the seven well-being goals set out in the Well Being of Future Generations Act 2015.

94. The scope of the Implementation plan is ambitious and wide ranging. It sets out what we are doing in terms of our statutory obligations including implementation of the TB Eradication Programme, our contingency planning arrangements in the event of a major disease outbreak, proposed introduction of quarantine units and our work to protect the health of bees.
95. We are also working in partnership with the Wales Animal Health and Welfare Framework Group to raise awareness of biosecurity and antimicrobial resistance; engaging with the welfare sector to review animal welfare codes of practice and developing proposals for tackling economic diseases such as bovine viral diarrhoea and sheep scab.

Climate Change and carbon budgeting

96. Climate change is fundamentally linked to growth and jobs as it has an impact on our economic prosperity and crucially provides significant opportunities for the future and in particular around green growth.
97. Although we can not give an actual allocation for climate action, part of my budget is set aside for the central coordination of climate activity around the Welsh Government. This central resource includes the development, monitoring and reporting of the national policy context on both decarbonisation and building climate resilience. The allocation is £1.827m (BEL 2816).
98. The Environment (Wales) Act 2016 sets a carbon budgeting framework for Wales. The supporting regulations such as the interim targets and first two carbon budgets will need to be put in place by the end of 2018.
99. Until the carbon budgets have been set, we can not assess the exact financial budget allocation towards the actions that will help reduce the emissions. However as climate change is the collective impact of all of our actions this would be spread across all of my portfolio's activities.
100. The recently reviewed Resource Efficient Wales (REW) service will support the delivery of Green Growth and Carbon budgeting. This will include work to improve the skills of crucial supply chains to enable them to provide services to Local Authorities, Green Growth pipeline projects, RE:Fit and the Local Energy Service.

101. REW will support the public sector to reduce their resource consumption by looking at efficiency interventions across their estate and considering opportunities in a strategic way, rather than focusing on one building at a time in response to ad-hoc requests for support.

Flooding and coastal protection

Flood allocations	2016-17 Supp 1 £m	2017-18 £m
Revenue	24.748*	22.448
Capital	30.467*	29.000

* Revenue includes £2.3m brought forward from 2015-16

* Capital includes additional funding of £5.985m

102. Approximately 208,500 properties in Wales are at risk of flooding from rivers and the sea and 163,000 at risk from surface water (some are at risk from numerous sources). To reduce this risk, there are 513km of flood assets around Wales (owned by NRW alone) benefitting over 74,000 properties.

103. During this financial year we will invest in schemes which will reduce the risk to at least 3500 homes and businesses, this level of investment needs to be maintained to reduce flood risk for the people of Wales.

104. We are working with NRW and Local Authorities to develop a pipeline of future investment and are working with NRW to develop a national prioritisation of these projects utilising the Communities at Risk Register. This will identify where our investment is at greatest need.

105. We have existing commitments for flood and coastal schemes which have already commenced, including schemes such as St Asaph, Crindau, Roath, Boverton and Porthcawl. We are also funding preparatory work for the construction phase of the Coastal Risk Management Programme. This will invest £150 million from 2018 to 2021.

The Marine and Fisheries Strategic Action Plan and the Marine Transitions Programme

106. As I explained in my 1 April written statement, we are building on the aims set out in the Wales Marine and Fisheries Strategic Action Plan from November 2013. We have made significant progress on the main

initiatives, many being delivered in partnership with stakeholders through the Marine Transition Programme.

107. The Marine Transition Programme comprises a number of key priority projects to help facilitate the effective implementation of our priority policy areas. The project timetables are largely being driven by EU requirements and domestic legislation.
108. The EU referendum result has presented a challenge to the delivery of the original programme objectives which will now require re-scoping for the timeline to 2020. The impact of the UK decision to leave will require assessments on the original EU drivers and risks surrounding infraction. This is an opportunity to re-shape the programme and consider what additional resources and support is available.
109. I have allocated additional resources to the Marine and Fisheries revenue budget (BEL 2870) which includes an additional £200k towards the development of the Marine Enforcement Vessels, and £68k towards increasing capacity to Marine Planning. The capital budgets have also been increased to cover the capital costs of the Marine Vessels across three years (2016-17, 2017-18 and 2018-19).

Lesley Griffiths
Cabinet Secretary for Environment and Rural Affairs

By virtue of paragraph(s) vi of Standing Order 17.42

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