

# Agenda – Climate Change, Environment and Rural Affairs Committee

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Meeting Venue:

Committee Room 3 – The Senedd

Meeting date: 4 July 2018

Meeting time: 09.15

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## 1 Introductions, apologies, substitutions and declarations of interest

## 2 Inquiry into Low Carbon Housing: the challenge

(09.15 – 10.45)

(Pages 1 – 30)

Lesley Griffiths AM, Cabinet Secretary for Energy, Planning and Rural Affairs

Rebecca Evans AM, Minister for Housing

Prys Davies, Decarbonisation and Energy Division

Lisa Dobbins, Head of Housing Decarbonisation, Homes & Places Division

Francois Samuel, Building Regulations, Planning Directorate

Kevin Hammet – Senior Housing Decarbonisation Officer

Attached Documents:

Research Brief

Welsh Government Paper

## Break

(10.45 – 11.00)



**3 Inquiry into the impact of Brexit on fisheries in Wales:  
introductory session**

(11.00 – 12.00)

(Pages 31 – 48)

Prof Richard Barnes, University of Hull

Griffin Carpenter, New Economics Foundation

Attached Documents:

Research Brief

Paper – New Economics Foundation

**4 Paper(s) to note**

**4.1 Welsh Government response to the Committee's Short Report on the Draft  
Welsh National Marine Plan**

(Pages 49 – 59)

Attached Documents:

Welsh Government Response

**4.2 Letter from the Welsh Government regarding Natural Resources Wales Budget  
2018–19**

(Pages 60 – 64)

Attached Documents:

Letter from the Welsh Government

**5 Motion under Standing Order 17.42 to resolve to exclude the  
public from the meeting for item 6**

**6 Discussion of evidence**

(12.00 – 12.30)

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**Lesley Griffiths AM, Cabinet Secretary for Energy, Planning and Rural Affairs**  
**Rebecca Evans AM, Minister for Housing and Regeneration**

**Climate Change, Environment and Rural Affairs Committee Inquiry into Low Carbon Housing**

1. This paper sets out our response to the questions set by the Committee in its email of 19 March.
2. The delivery of low carbon housing in Wales offers significant challenges and opportunities. Domestic buildings are responsible for an important proportion of Wales’ carbon emissions. However, there are also many other benefits from achieving deep emission reductions.
3. Reducing energy spend through energy saving and energy efficiency can help to retain economic value in Welsh communities and improve health outcomes as demonstrated by our Fuel Poverty Data Linking Project, which shows energy efficiency measures installed through our Warm Homes Nest scheme are having a significant positive effect on the respiratory health of recipients and a positive impact on emergency hospital admissions.
4. Energy efficiency actions can also contribute to economic objectives through jobs, skills and supply chains. The ratio of jobs to capital spending for housing repair and maintenance is 32.6 jobs per £1 million spent. Wales is in the rare and fortunate position of having an energy efficiency supply chain covering all aspects from manufacturing through to installation.
5. It is, however, important to understand that reducing emissions can be achieved in many different ways and a range of solutions will be required based upon house type, tenure, energy performance, demographics, building usage and a range of other factors.

**What role can housing play in Wales’ low carbon transition, including the potential positive impacts on greenhouse gas emissions?**

6. The table below shows the change in total housing stock levels up to 2050

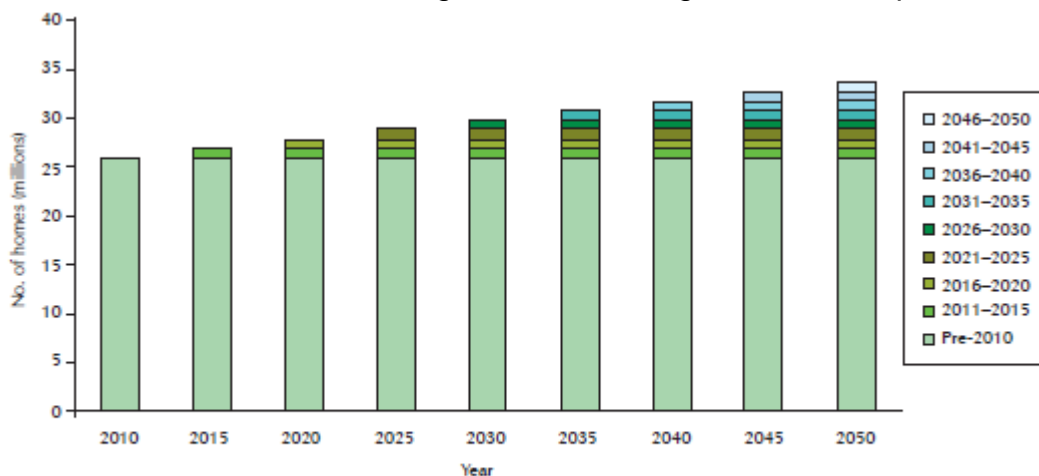


Figure 2: Projected age profile for UK domestic building stock

7. Emissions from the residential sector – 1.4 million homes - account for 8% of total Welsh emissions in 2014, and mainly come from heating and cooking. When emissions from power are attributed to the Residential Sector (such as the energy used for appliances etc) the significance of the Residential sector increases to 15%.
8. The Environment Act will set a decarbonisation pathway for sectors across Wales. The UK Committee on Climate Change (UKCCC) has developed a number of scenarios for what a Welsh 2050 pathway looks like. In their analysis they highlight that, in order to meet the carbon budgets, deployment of low carbon electricity and low carbon heating will need to accelerate through the 2020s and achieve mass roll-out well before 2050. Emissions from all buildings will need to be close to zero in order for the 80% emissions reduction target to be met.
9. There is significant opportunity to reduce carbon emissions in the residential sector both through the new homes we build and the retro fitting of existing ones. The Innovative Housing Programme (IHP) is being used to test low carbon solutions, and in 2018-19 is open to both social landlords and the private sector. This is important as it encourages the SME sector in housing in Wales to start building again but in a way that changes their existing practices, allowing them to take advantage of the opportunities new models of homes will present. What we learn through the IHP will inform the new housing schemes the Welsh Government supports in the future across all tenures.
10. Whole system, low carbon solutions for housing are emerging. For example, the aim of the SOLCER project is to implement combinations of existing and emerging low carbon technologies through a systems based approach in order to optimise the use of energy at the point of generation. Through a series of case studies SOLCER will provide information about the drivers and barriers that prevent the large scale roll out of low carbon technologies. The SOLCER concept is being demonstrated at the SOLCER house at Stormy Down (although no-one lives there). It is believed that the SOLCER solutions are most efficiently employed at design stage in new buildings. The Active Homes scheme in Neath Port Talbot, supported through the Innovative Housing Programme, is testing elements of SOLCER in real life situations. This is vital as 'liveability' is crucial to the success of getting people to accept changes in energy efficiency and provision. SOLCER is also likely to also have applications in retrofit. In many cases, older buildings require more traditional retrofit measures - such as insulation and improved heating - in order for them to be capable of making most efficient use of energy at the point of generation.
11. There is huge potential in building homes that generate power. However, this is not without its challenges, and one aspect which needs careful planning is the ability of the grid to cope with growing numbers of homes exporting energy in summer and creating increased demand in the winter.

## **The development and availability of technology needed for highly energy efficient housing**

12. In principle, much of the technology needed already exists today. However, some will need further development to become robust and scalable solutions - in particular, energy storage. This will take time, and given systems will be replaced a number of times between 2020-2050, we need to pursue the basics of demand reduction in the fabric whilst identifying ways that future retrofit of energy systems might be made easier – a ‘no regrets’ approach. An integral element of piloting advanced solutions will be providing user knowledge and confidence.
13. It will be important in the future how technologies interconnect and how they drive new business models. Technology can enable automatic switching to cheapest or lowest carbon forms of heating for example. Equally, electric cars may become a source of domestic power to homes in the evenings following charging through the day when power is lower carbon or costs are lower.
14. The limited number of national house builders in Wales represents a barrier to progress. They are concerned about the additional costs of developing here although other smaller developers challenge this, pointing out that higher standards are not necessarily a barrier to progress. The central role residual land value calculations play in house builder business models remains the reason that minimum regulatory standards are in practice actually maximums. This effectively means that any increase in regulatory standards impacts on land values and development viability and ultimately the number of homes built. The Innovative Housing Programme requires ‘open book’ as a grant condition for those receiving support and this will allow us to look at costs at a scheme level but also in comparison to those doing similar things elsewhere.
15. The availability of technologies, whilst key to progress, will not deliver the necessary changes if not combined with the activity to generate demand. An example of the sort of stimulation needed might be the Lenders Project, the pilot of which Welsh Government funded.
16. In the new house building sector the key to nurturing demand is the ability of house builders to differentiate their high performing product from the second hand market. Availability of preferential mortgage terms, lending more on high performing houses or lending less on poorer existing housing is one way interest and consequently demand might be stimulated.

## **The changes needed to ensure that existing housing stock is as energy efficient as it can be**

17. The Welsh Government has a long term track record of focusing substantial effort and budget in supporting the fuel poor to improve the efficiency of their homes and providing advice on how to save energy. This commitment will continue, but we must also help to create the conditions where a range of market initiatives support the required change.

18. Both Prosperity for All and our Economic Action Plan confirm that we will support quality housing in the right locations. Investing in building new homes and improving our housing stock has a direct and positive impact on the economy, the environment and in reducing the prospects of poor outcomes in these areas influencing economic development. As set out in the Well-being of Future Generations Act, we want to put long-term sustainability at the forefront of thinking.
19. All social homes in Wales are due to meet the Welsh Housing Quality Standard (WHQS) by 2020. At the moment the Standard requires that homes must be energy efficient by meeting SAP 65 or better. As WHQS must be met, and importantly maintained, we need to be clear going forward what the energy efficiency requirements will be. This will be informed by the work we doing to develop a programme to decarbonise homes by our 2050 target.
20. The newly established Advisory Group on the Decarbonisation of Existing Homes will significantly shape a programme to realise our decarbonisation ambitions in the existing housing stock. The Group represents a wide range of key stakeholders including owners of housing stock, technology experts, mortgage lenders, planners, the construction sector and academia.
21. The Group will use evidence about what works, from the UK and internationally, in order to identify measures that can be taken to reduce carbon emissions in our current housing stock. Members will analyse challenges and opportunities to develop a suite of advice and actions that might be taken by all stakeholders, not just by Government, to deliver a programme of activity to help us reduce our emissions through the 2020s and beyond.

**Whether it is possible and feasible to deliver low carbon, energy positive, affordable housing at scale in Wales and, if so, how this can be achieved**

22. The IHP is trialling a number of different building systems to meet both long term and short term housing requirements, address fuel poverty and create zero carbon homes. One, Off Site Manufacture (OSM) potentially offers significant opportunities to build quality, energy efficient, low carbon homes at scale and speed. Social Housing providers in Wales are enthusiastically exploring the opportunity to increase housing supply by adopting modern methods of construction and I believe this will increase further this year as the private sector is eligible to apply.
23. There are a number of Off-Site Manufacturing facilities already in Wales, providing homes for social housing providers across the UK some of whom are providing homes under the IHP. The Welsh Government is reviewing the opportunities these present for Welsh landlords. Furthermore, several groups of RSLs, LAs and their private sector partners are already collaborating to explore the establishment of new facilities in Wales to build more homes at scale, more quickly.
24. Several variations of Passivhaus, another example of very low carbon design, are also being supported through the Programme. If any or all of these models are to

influence new housing of the future, qualitative and quantitative data must be captured as to how the buildings perform and how they are used. As we increase building Regulation requirements i.e. regulated energy (heating, ventilation and hot water) the importance of unregulated energy (appliance use) will grow as will the energy consumed in the construction of housing. It will be important that we identify the mechanisms needed to address these.

25. The Innovative Housing Programme will evaluate the new approaches being tried, and will find out what works and equally importantly, what doesn't work. This information will shape the Welsh Government's approach to the type of social and affordable homes that will be funded in future. By March 2019, we expect to have a clearer vision of the type of models it wants to support through its funding regime. These approaches will not only increase housing supply, but will also create additional local jobs, apprenticeships and training opportunities.

### **The barriers to delivering transformative change in house building in Wales**

26. Whilst we recognise the important role that the national house builders play in Wales, there is a need for more competition, choice and diversity in the market. In addition to our ambitious target to deliver 20,000 affordable homes during this Assembly term, there is a need for greater supply of all tenures including market housing.
27. We are particularly keen to see more SME house builders enter or re-enter the market in Wales to increase not only housing supply, but to innovate and help shape the future of house building. There is also a place for local authorities to build more new homes, building on successful models such as the Strategic Housing and Regeneration Programme (SHARP) in Flintshire. This ambitious five year programme was launched in June 2012 to deliver 500 new affordable homes. Of these, 200 will be social rent managed by Flintshire local authority and 300 will be intermediate rent, managed by North East Wales Homes, a solely owned council subsidiary.
28. There are already a number of measures we have in place to help assist SMEs in areas such as access to finance, innovation and collaboration. Our Wales Property Development and Stalled Sites Funds administered on our behalf by the Development Bank of Wales, are assisting developers with access to development finance across Wales ensuing that sites are being brought forward and delivered.
29. Another challenge facing the industry is that of ensuing there is a future workforce with the right skills to deliver the housing we will all need. The Farmer Review 'Modernise or Die', highlights some of the challenges the sector is facing - skills being one of them. As covered earlier, Modern Methods of Construction (MMC) including Off-Site Modular (OSM) offer significant opportunities for house building. It has the potential to help provide the homes of the future at a greater pace, with greater precision and efficiencies, but it also requires a workforce with different skills.



30. To date, we have supported a number of companies which have innovated into OSM including Western Solar Ltd in Pembrokeshire which has developed the 'Ty Solar' house and constructed the 'Pentre Solar' village, and PYC Group in Powys who produce low energy high performance passive houses for both social and private sectors.
31. Whilst good work and progress has been made, there is still more that can be done, particularly in creating conditions to enable SME house builders to flourish and expand the custom and self build sectors. We have measures to assist with access to finance and support for innovation, but there is more that can be done in terms of regulatory reform and assistance with access to development land. In terms of MMC and OSM, this step change for the sector will result in house builders requiring suitable production premises, a workforce with different skills, and public and private sectors receptive to new methods of construction, including insurers and mortgage lenders.
32. We have strengthened our co-ordination of construction activity and support across Government by establishing the Construction Alignment Group to lead on proposals including support for SME house builders, increasing the use of timber in construction and increasing the use of Building Information Modelling (BIM) where appropriate.
33. Our Economic Action Plan, Economic Contract and our Calls to Action will all help assist and support the sector in our transition to a low carbon economy and society, and house building will play a key role in this journey.

### **Whether Wales has the requisite skills to facilitate and enable change in the housing sector**

#### **34. Regional Skills Partnerships**

As stated in Prosperity for All – our national strategy, Regional Skills Partnerships (RSPs) are at the centre of Welsh Skills Policy. Welsh Government plans to deliver a post-16 learning environment which is fit for purpose and sets Wales ahead of other nations of the UK and internationally.

35. The Welsh Government is working closely with the three RSPs to identify and address key employability and skills needs in North, South West and Mid, and South East Wales on the basis of robust labour market information for each region.
36. The Construction Industry Training Board (CITB) has a significant body of labour market intelligence which provides clarity to Regional Skills Partnerships on the future skills and training the industry needs.
37. Skills and knowledge gaps in the existing workforce, particularly relating to energy performance, need to be addressed. The three Regional Skills Partnerships are well placed to coordinate the response to this challenge in each region.

### 38. Apprenticeships

Having appropriately skilled, environmentally-aware practitioners in Wales' built environment workforce is crucial to ensure that Wales meets the 20,000 affordable homes target. We are taking action quickly to deliver on our pledge to create a minimum of 100,000 quality apprenticeships for all ages in this Assembly term.

39. Apprenticeships will support individuals of all ages to get the skills they need to enter the labour market and, importantly, progress through it into higher skilled work. This is part of our commitment as a Welsh Government to creating better jobs closer to home.

40. As a government we are committed to developing a culture in Wales where recruiting an apprentice becomes the norm for employers, giving individuals access to high quality job opportunities and skills.

41. The Apprenticeship programme has been designed to meet the needs of employers and Apprenticeship places are readily available in priority areas through our provider network. We have been working closely with employers and are actively encouraging businesses to come forward and recruit through our Apprenticeship programme in technical and professional areas through a series of marketing and communication events.

42. We recognise that the whole Apprenticeship system must be more flexible and responsive to the ever and more rapidly changing needs of industry. We are using the expertise of employers who sit on the Wales Employment and Skills Board as the vehicle to assist us with new Apprenticeship developments in this area.

### Qualifications Wales

43. On 8 February 2018, Qualifications Wales published their review report and recommendations on the range and quality of qualifications in the construction and built environment sector. Working with stakeholders, CITB, other stakeholder bodies and employer groups and Welsh Government, the Qualifications Wales review team have developed proposals for actions. Issues for consideration include ensuring that qualifications and underpinning national occupational standards, which describe occupational competence, reflect up-to-date technologies, tools materials and processes. A public consultation on recommendations ran until 13 April.

### 44. Careers

It is crucial that construction is recognised as an attractive career choice for young people. We want to showcase these opportunities and broker strong links between employers and their local colleges and universities. We need to do this to help young people and job seekers get the skills employers need, and to receive the information they need to make the best decisions about their futures.

45. Careers Wales is working with Regional Skills Partnerships which are identifying the range of opportunities in the construction industries arising from a number of large infrastructure projects, using this labour market intelligence to inform young

people and adults about the opportunities in the construction industry as well as in other priority sectors.

46. The construction sector has come together to develop 'Go Construct', the first industry-wide interactive careers portal showcasing the wide variety of jobs in construction and the best routes into the industry.
47. CITB is working with Careers Wales to ensure that Go Construct provides young people and job seekers with profiles of construction jobs, support on how to enter the industry, and first hand advice from those who have built a successful careers in construction.
48. Construction Wales Innovation Centre  
CITB and a consortium led by the University of Wales Trinity Saint David is establishing the Construction Wales Innovation Centre (CWIC) to offer state-of-the-art facilities and world-class training for individuals and construction companies.
49. Investment in skills must sit alongside increased demand for new and better approaches to house building and retrofit. The Construction Wales Innovation Centre (CWIC) and the Supply Chain Sustainability School will have an important role to play in supporting the delivery of this training.

### **If changes are needed to Building Regulations in Wales to accelerate progress towards 'near zero' energy standards and beyond**

50. The last time we reviewed Part L of the building regulations, the decision was taken to hold back on our initial intention to significantly improve the energy performance of new housing as the market was still in a slump following the 2008 crash. The time is right to look again at what a step change in energy performance for new housing would mean. In contrast the 20% improvement we made to new non domestic buildings puts us ahead of other nations whilst giving real encouragement to the installation of renewables.
51. In the Cabinet Secretary for Energy, Planning and Rural affairs' Energy Oral Statement in December 2016, we announced a new review of Part L. Lead consultants have been appointed and scoping work is underway. A broad programme for the review has been developed indicating the following:
  - a. Scoping study complete - summer 2018
  - b. Main review starts - autumn 2018
  - c. Consultation start – spring/summer 2019
52. On the basis of the agreed Brexit transitional arrangements, transposition of and compliance with EU Directives will continue where requirements apply within the transition period. This year the EU will consider revisions to the 2010 Recast of the Energy Performance of Buildings Directive (EPBD) which will require transposition. It is intended that this Part L review will meet the EPBD 2010 (Recast) requirement to set 'Nearly Zero Energy' (NZE) standards at a cost optimal level or better. We are currently awaiting final analysis of our current standards (Part L 2014) in achieving 'cost optimal levels'.

53. Summer overheating is seen by many as a climate change consequence, something for the future. It is notable that apartments in redeveloped areas are already suffering particularly where windows and ventilation is only on one side and there are no through-draughts.
54. The independent review following the Grenfell tragedy will lead to major changes to building regulations and the building control system which will take time to complete. The way we manage competing priorities is going to be critical to the delivery of, in this case climate change and life safety, improvements to the building regulations.

### **How communities can be planned and shaped to be more energy efficient and low carbon (including examples of good practice in Wales and further afield)**

55. The planning system plays a key role in ensuring that development is designed and constructed in a way which is energy efficient and promotes low carbon energy generation. National planning policy is set out in Planning Policy Wales (PPW) and seeks to promote the principles of sustainable development which includes energy efficiency and low carbon development. We have taken an active role in identifying areas for large scale renewable energy (TAN 8 Strategic Search Areas) and through the monitoring of Local Development Plans seek to ensure local authorities also make adequate provision for new renewable and low carbon energy generation.
56. The location of new development needs careful consideration in terms of its accessibility by modes other than motor vehicles. The integration of land use planning for housing, employment and transportation can reduce the need to travel and thus reduce the energy needs and the use of fossil fuels. PPW has a clear policy framework to integrate these land use aspects to promote active travel and thus reduce the need for car-borne journeys in particular.
57. Energy efficiency and low carbon development can be actively promoted through sustainable urban design and the integration of features such as district heating systems, and designs which optimise solar energy have been features of the planning system in Wales for many years. The Welsh Government sponsors the Design Commission for Wales which provides technical design assistance to local authorities and developers to help promote the principles of energy efficiency and low carbon development through careful design. Further guidance on these issues is also contained in TAN 12 which sets out how design can influence the sustainability credentials of new and proposed development. This is supplemented by a Toolkit for renewable and low carbon development to provide technical support to local planning authorities when developing policies and understanding the potential of their areas for low carbon and renewable energy.
58. We have recently consulted on a revised version of PPW which seeks to put place-making at the core of the planning system. This principle will help ensure that the planning system fully considers the requirements and opportunities to promote sustainable places. The promotion of low carbon, energy efficiency and renewable energy is a very important component of this approach.

59. The Planning system has an important role in promoting low carbon and renewable energy. PPW sets an ambitious framework for the deployment of low carbon and renewable technologies. By promoting the principles of place-making it is possible to integrate housing, employment and transport policies to reduce the need to travel and to promote active travel. Careful urban design promoted by PPW and supported by the Design Commission for Wales can lead to the creation of communities where low carbon and renewable energy are planned for and provided at the outset rather than being retrofitted. This year the Innovative Housing Programme asks applicants to undertake a design review through the Design Commission for Wales so that these issues can be factored in at an early stage.

**Wales must upscale and extend the Welsh Government’s existing retrofitting schemes – NEST and Arbed, adopting a ‘warm zones’ model to ensure a joined-up approach to delivery in areas where badly insulated housing, fuel poverty and poor health coincide**

60. The Welsh Government has recently appointed a new Scheme Manager to manage our Warm Homes Arbed 3 project, our area based fuel poverty and energy efficiency scheme. Arbed 3 matches Welsh Government with European Regional Development Funding and will spend approximately £55m in the next three years. Warm Homes Nest, our demand led scheme will invest a further £72m over the period from 2017 to 2021. As an area based scheme, Arbed 3 will specifically target reduction in fuel poverty in Wales, year on year, utilising a range of local and national data to target communities for action.

61. A number of characteristics, in various combinations, may indicate households and properties more likely to be living in fuel poverty. They include:

- Household is in receipt of means-tested benefits or with an income below 60 per cent of median income.
- Household occupants include someone over 75 years or under 5 years.
- Household occupant includes someone who is disabled.
- Home has an energy rating of EPC E, F or G.
- Home is off the gas network.
- Home is pre-1900, solid wall construction.
- Householder pays for energy through a pre-payment meter.
- Householder has never or rarely switched tariff or energy supplier.

62. These and other characteristics will be analysed to identify Arbed 3 schemes. The aforementioned Advisory Group on the Decarbonisation of Existing Homes will consider how these programmes may need to evolve, and be supplemented, to help us achieve our wider decarbonisation objectives.

## **Wales must explore linking the cost of stamp duty land tax to the energy performance of a house to start to increase the value of energy efficient homes**

63. The Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017 established a new tax on land transactions which replaced stamp duty land tax from April 2018. The Act includes a regulation making power that enables the creation of new reliefs. During the passage of the Bill, the Cabinet Secretary for Finance made a commitment to further explore whether the devolved tax system could help to incentivise energy efficient homes.
64. The tax policy framework, which sets the strategic framework for in which Welsh tax policy will be developed outlines the approach to the introduction of any new relief for the devolved taxes, in particular any relief needs to be carefully considered to ensure it achieves the desired policy objectives. It should also be affordable and not create opportunities for avoidance.
65. The policy approach to changing reliefs or introducing new reliefs in the future will therefore replicate the Welsh Government's approach to considering new taxes. This involves a clear process and evidence-gathering stage, to ensuring tax policy is aligned with the Welsh Government's policy aims; are cost-effective and reach their intended policy target.
66. The Welsh Government has begun to explore whether there is a need for tax-based intervention to complement existing levers to incentivise energy efficient homes. This work has involved contributors from across the sectors and has focused on understanding the existing evidence base and identifying whether there is a case for change. Analysis has also been undertaken of existing or historic schemes within the UK and internationally where taxation has been used as a lever to incentivise energy efficient homes.
67. The Welsh Government provides significant financial support to the residential sector to support and enable energy efficiency improvements which is largely targeted at low-income households. The initial evidence gathered has indicated that there is a case for further action to drive residential energy efficiency improvements, particularly in the able-to-pay sector. However, it was concluded that more targeted grants and improved government communication would be the priority to ensure a co-ordinated approach that creates long term change, and that more detailed analysis in this area is needed.
68. More detailed analysis of existing evidence in this complex area will continue. This will include continued analysis of the effectiveness of new and existing schemes in the UK and internationally. This evidence-gathering will need to be set in the context of supporting the transition to a low carbon society and we will continue to analyse all levers available to promote more energy efficient use of housing, including taxation.

**Lesley Griffiths AM**  
Cabinet Secretary for Energy, Planning  
and Rural Affairs

**Rebecca Evans AM**  
Minister for Housing and  
Regeneration

June 2018

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This briefing serves as the New Economic Foundation's response to the Climate Change, Environment and Rural Affairs Committee call for written evidence on *The impact of Brexit on fisheries in Wales*. The New Economics Foundation has produced two reports on this subject: *Not in the same boat: The economic impact of Brexit across UK fishing fleets*,<sup>i</sup> published as a NEF report in November 2017 and *Implications of Brexit for Fishing Opportunities in Wales*,<sup>ii</sup> published by the Welsh Centre for Public Policy in February 2018. We look forward to contributing to the forthcoming Miller Research report, *An assessment of seafood sector readiness post-Brexit* for the Welsh Government and to delivering oral evidence to the National Assembly for Wales next month.

### **To what extent do current Welsh fisheries policies and wider management measures deliver desired outcomes?**

To answer whether Welsh fisheries policies are delivering their desired outcomes requires a clear definition of what those desired outcomes are. Unfortunately this clarity has been missing from Welsh fisheries management. Current Welsh legislation, notably the Environment Act (2016) and the Wellbeing of Future Generations Act (2015) go some way towards defining government-wide objectives, but fishery-specific objectives are required. The forthcoming Welsh National Marine Plan is a step in the right direction but more detail is required, for example what is found in Defra's policy paper *Fisheries 2027 – a long-term vision for sustainable fisheries*.<sup>iii</sup>

Defining clear objectives for fisheries management is particularly important because the socio-economic trends in Welsh fisheries demonstrate trade-offs, for example between decreasing employment increasing profitability.<sup>iv</sup> Whether these trends are positive or negative developments is a political decision about the best use of a public resource. Even the environmental objectives of fisheries management require further debate. Maximum sustainable yield, the current environmental reference point for fish stocks in EU waters, is, as the name implies, not a conservation reference point but simply the stock size that can produce the maximum *yield* over the long-term – a production-based objective.

### **What outcomes and policies does Wales want to see from the UK Fisheries Bill? How can policy best reflect the needs of different sectors, including the fishing industry, aquaculture and coastal communities?**

This is the right question to be asking, in particular the emphasis on different sectors – as there are different needs and priorities across the seafood supply chain and even across the catching sector – and the emphasis on coastal communities. For several decades now the fishing industry has been largely detached from food provision within the UK. Most fish caught in the UK is exported and most seafood consumed is imported.<sup>v</sup> Instead, the primary



role of the fishing industry for delivering wider social objectives is through economic resilience in coastal communities. Fishing policy should reflect this central fact.

Based on our research on fisheries and coastal communities in the UK, NEF has four policy asks for the Fisheries Bill:

- An explicit requirement for ‘ecosystem-based fisheries management’, as part of a joined-up approach across all policy to ensuring the health of the sea.
- A new ‘quota reserve’ system: this would set aside a percentage of quota (especially any new quota that comes the UK’s way after Brexit), and allocate it as an incentive to deliver on public goods – environmental and social goals – and helping new, low-impact fishers establish themselves in the industry.
- A process of ‘quota reallocation’, ensuring that those fishers currently left out of the system receive a quota share that is both fair and viable. The Bill should also expand the geographical remit of inshore management from the current 6 miles to 12, to allow for local solutions to unique environmental challenges along our coast.
- A review of the support available for the industry and institute a new ‘landings tax’ for fisheries management, differentiated to incentivise boats to land in UK ports.

These policy asks are described in more detail in our briefing: *A fair and sustainable Fisheries Bill*.<sup>vi</sup>

Ultimately, the task of defining what outcomes and policies Wales wants to see from the UK Fisheries Bill is a collaborative exercise across many diverse stakeholders. What can be said is that the Welsh fishing fleet is unique in the UK context and, owing to its small size, in danger of being drowned out in the policy debate.

### **What are the main challenges and opportunities for fisheries during the transition period and post-Brexit?**

Post-Brexit fisheries management presents both challenges and opportunities for Welsh fisheries. Three major challenges come in the form of regulatory gaps, tariff and non-tariff barriers, and overfishing through the tragedy of the commons. Three major opportunities come in the form of potential quota increases, restricted access to UK waters, and more localised decision-making.

These challenges and opportunities are described in more detail in our report *Not in the same boat: The economic impact of Brexit across UK fleet segments*.<sup>vii</sup> One of the main findings of this report is that these challenges and opportunities balance unevenly across different fleet segments. As elaborated on in our report for the Welsh Centre for Public Policy, *Implications of Brexit for Fishing Opportunities in Wales*,<sup>viii</sup> as the Welsh fishing fleet is characterised by small-scale vessels fishing non-quota species for export, under most scenarios the challenges are set to outweigh the opportunities.

The transition period can serve to address some of these concerns, first by securing the best form of Brexit in EU negotiations and second by delivering good 'Brexit-proof' fisheries legislation. During this period, the greatest challenge for fisheries is the temptation for combative rhetoric that stands at odds with the collaborative reality of shared fish stocks as well as the temptation for bold promises that are ultimately undeliverable. The opportunity during this period is to use the time provided and the increased attention of fisheries to deliver wholesale fisheries reform.

**How effective is the Welsh Government's engagement with the UK Government on fisheries? Are Welsh interests being given sufficient consideration within the Brexit negotiations?**

The leaked versions of the UK Government's White Paper suggest that attempts made by the Welsh Government (and other devolved administrations) have not been very effective. There appear to be no guarantees that powers over fishing policy gained as a result of Brexit will be devolved from Westminster.

The EU negotiations are even more difficult to get an insight into, particularly for an issue like fisheries that has been identified as "medium priority".<sup>ix</sup> Our report for the Welsh Centre for Public Policy, *Implications of Brexit for Fishing Opportunities in Wales*,<sup>x</sup> identified four key conclusions of relevance for these negotiations and future UK policy.

- The current focus of Welsh fisheries on non-quota species means that the immediate benefits of zonal attachment quota allocations would be limited in Wales.
- The current reliance on the EU market for selling the catch means that maximising EU market access, whilst minimising tariff and non-tariff barriers for fish and fish products, are important for the Welsh fleet. For most Welsh vessels, this is currently seen as more important than quota allocations.
- Wales could benefit from increased quota of quota-managed species if zonal attachment is used to divide fishing opportunities with the EU and/or in the distribution of UK quota to the devolved administrations.
- Support for vessel adaptations and port, market and logistics infrastructure would help to fully exploit such opportunities and maximise the potential benefits for Wales.

We welcome the opportunity to provide written evidence for this important inquiry and look forward to discussing these issues in more detail.

## Endnotes

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- <sup>i</sup> Carpenter, G. (2017). Not in the same boat: The economic impact of Brexit across UK fishing fleets. London: New Economics Foundation. Retrieved from: <http://neweconomics.org/2017/11/not-in-the-same-boat/>
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- <sup>iii</sup> Defra (2011). Fisheries 2027 – a long-term vision for sustainable fisheries. London: Department for Food, Environment and Rural Affairs. Retrieved from: <https://www.gov.uk/government/publications/fisheries-2027-a-long-term-vision-for-sustainable-fisheries>
- <sup>iv</sup> Seafish (2018). Seafish fleet economic performance data. Edinburgh: Seafish. Retrieved from: <http://www.seafish.org/research-economics/industry-economics/seafish-fleet-economic-performance-data>
- <sup>v</sup> Carpenter, G. (2017). Not in the same boat: The economic impact of Brexit across UK fishing fleets. London: New Economics Foundation. Retrieved from: <http://neweconomics.org/2017/11/not-in-the-same-boat/>
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- <sup>vii</sup> Carpenter, G. (2017). Not in the same boat: The economic impact of Brexit across UK fishing fleets. London: New Economics Foundation. Retrieved from: <http://neweconomics.org/2017/11/not-in-the-same-boat/>
- <sup>viii</sup> Carpenter, G., Williams, C., Walmsley, S. (2018). Implications of Brexit for fishing opportunities in Wales. Cardiff: Wales Centre for Public Policy. Retrieved from: <https://www.wcpp.org.uk/publication/implications-of-brexit-for-fishing-opportunities-in-wales/>
- <sup>ix</sup> Coates, S. (2017). Leak reveals low-priority industries for Brexit talks. The Times. 10 February 2017. Retrieved from: <https://www.thetimes.co.uk/article/leak-reveals-low-priority-industries-for-brexit-talks-q020z5clb>
- <sup>x</sup> Carpenter, G., Williams, C., Walmsley, S. (2018). Implications of Brexit for fishing opportunities in Wales. Cardiff: Wales Centre for Public Policy. Retrieved from: <https://www.wcpp.org.uk/publication/implications-of-brexit-for-fishing-opportunities-in-wales/>

Ein cyf/Our ref: MA/LG/1544/18

Mike Hedges AM  
Chair of the Climate Change, Environment and Rural Affairs Committee  
National Assembly for Wales  
Cardiff Bay  
[SeneddCCERA@assembly.wales](mailto:SeneddCCERA@assembly.wales)

12 June 2018

Dear Mike

Thank you for your letter of 18 April regarding the Draft Welsh National Marine Plan.

A detailed response has been provided to the 13 recommendations you have made in Annex A.

You have requested an update on the Welsh Government's approach to tackling marine plastic pollution. In Wales, action to prevent littering is focused on both enforcement programmes and on collaboration across key partner organisations; working to change public attitudes and behaviour through community involvement and education.

A Marine Litter Task Group has been established by the Wales Marine Action and Advisory Group to develop a Wales Marine Litter Action Plan. The Group has subsequently established the Wales Clean Seas Partnership which, through building a strong evidence base and focussing on preventative action, aims to tackle the issue of marine litter in Wales.

The Volvo Ocean Race saw Cardiff host a leg between 27 May and 10 June this year. The Volvo Ocean Race is using its storytelling platform to amplify the UN Environment Clean Seas campaign 'Turn the Tide on Plastics', tackling the growing problem of marine litter. The Minister for Environment made further announcements on action at its Ocean Summit on 5 June.

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

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

On 8 May the Minister for Environment published a summary report on Extended Producer Responsibility (EPR), outlining a range of options including deposit return schemes, taxes or charges on single-use cups and changes to current EPR regulations. We are currently considering Wales' involvement in a UK-wide deposit return scheme. Developing approaches on a UK wide basis can be less complicated for consumers and better for businesses who have told us they prefer this approach. We are also considering making changes to regulations so that producers and retailers pay a larger share of waste management costs.

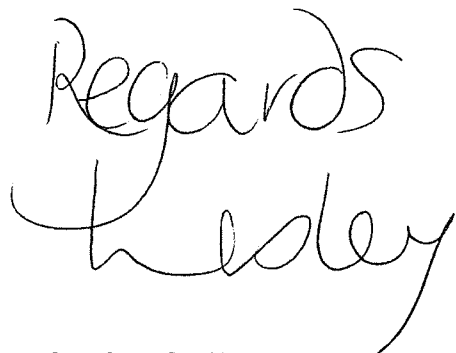
The Minister also announced her ambition for Wales to be the World's first 'Refill Nation'. To achieve this, work is underway to improve access to drinking water in public places across Wales. The Welsh Government will work with City to Sea on developing the Refill campaign for Wales, as well as working closely with water companies in Wales and more widely with our businesses, charities and major events. The work will also include a behavioural change campaign to help people see the value of water and make tap water their first choice for hydration.

We continue to work with HM Treasury on a UK single-use plastics tax. At the same time we will continue to consider a tax, levy or charge on single-use beverage cups for Wales. The mandatory use of reusable cups and a potential pilot is also something we are considering. We are developing legislation to introduce a microbeads ban in Wales, on both the manufacture and sale of products, by 30 June 2018.

Wales is a world leader in recycling. We are the best in the UK, second in Europe and third in the world. This is a direct result of policies made in Wales.

Later this year, we will consult on regulations to implement Part 4 of the Environment (Wales) Act, which will require businesses and public sector bodies to separate different types of waste, just like households in Wales have been doing for years. This will significantly contribute to recycling rates in Wales and it is only right that the onus is on all of us to take action.

Please keep me updated on the timeframe for the exploratory work you mention.

A handwritten signature in black ink that reads "Regards" on the top line and "Lesley" on the bottom line. The signature is written in a cursive, flowing style.

**Lesley Griffiths AC/AM**

Ysgrifennydd y Cabinet dros Ynni, Cynllunio a Materion Gwledig  
Cabinet Secretary for Energy, Planning and Rural Affairs

## **WELSH GOVERNMENT RESPONSE TO RECOMMENDATIONS FROM THE CLIMATE CHANGE, ENVIRONMENT AND RURAL AFFAIRS COMMITTEE REPORT:**

### **FEEDBACK ON THE WELSH GOVERNMENT'S DRAFT WELSH NATIONAL MARINE PLAN**

**JUNE 2018**

#### **Background and current position**

The Marine and Coastal Access Act 2009 (MCAA) provides the statutory basis for a new plan-led system for marine activities throughout the UK. Welsh Ministers are the Planning Authority for the Welsh inshore and the Welsh offshore areas. Welsh Government is working on the first Welsh National Marine Plan (WNMP) which sets out Welsh Government's policy for the next 20 years for the sustainable use of our seas.

On 7 December 2017, the Welsh Government launched a 16 week consultation on the draft Welsh National Marine Plan ('the draft Plan') accompanied by a number of supporting documents including; an overview of developing the Welsh National Marine Plan, Habitats Regulations Assessment, Sustainability Assessment and Review of interim marine aggregate dredging policy. There were 86 responses to the consultation, which will be published on the Welsh Government website at the end of June 2018.

Over the next few months Welsh Government will be assessing consultation responses and working with members of the Stakeholder Reference Group to explore key themes raised during the consultation. We will also be working across Welsh and UK Government policy areas to agree the final text of the plan. At the same time, we will be working to develop our approach to supporting plan implementation.

Final consideration, adoption and publication of the WNMP and associated documents is currently scheduled for spring 2019.

**Recommendation 1: The Welsh National Marine Plan ('the Plan) should explicitly state an ambition to ensure our natural environment is resilient, and the plan should give equal weight to achieving environmental resilience and promoting 'blue growth'.**

#### **Response: Accept**

The Environment (Wales) Act 2016 places a duty on Welsh Ministers to seek to maintain and enhance biodiversity in the exercise of functions in relation to Wales, and in so doing promote the resilience of ecosystems, so far as consistent with the proper exercise of those functions. Ecosystem resilience is the foundation to securing societal benefits from our seas. Resilient ecosystems are therefore integral to achieving blue growth.

In line with this obligation, the vision of the draft WNMP states 'Through an ecosystem approach, our seas are healthy and resilient and support a sustainable and thriving economy'. This aspect of the vision is supported by plan objectives 1, 8, 9 and 10 which state:

- **Objective 1** - Support the sustainable development of the Welsh marine area by contributing across Wales' well-being goals, ensuring the Sustainable Management of Natural Resources (SMNR) by taking account of the cumulative effects of all uses of the marine environment.
- **Objective 8** - Support the achievement and maintenance of Good Environmental Status (GES).
- **Objective 9** - Protect, conserve, restore and enhance marine biodiversity to halt and reverse its decline.
- **Objective 10** - Maintain and enhance the resilience of marine ecosystems and the benefits they provide in order to meet the needs of present and future generations.

The Natural Resources Policy (NRP), published August 2017, marks the second major milestone in the implementation of the Environment (Wales) Act. The NRP sets out the national priorities for the sustainable management of Wales' natural resources which both address the challenges our natural resources face to their resilience and realise the significant opportunities that they provide for our well-being and prosperity across Wales' well-being goals.

The NRP will drive action across Welsh Government. Wales' waters are an important national resource and the WNMP will guide the way in which we will take forward the delivery of the NRP priorities in this area as part of our approach to the management of Wales' marine natural resources. The WNMP will be clear that decision makers should ensure that opportunities for blue growth are supported in the context of complying with the statutory duty, under the Environment Act, in relation to biodiversity and the resilience of ecosystems.

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

**Recommendation 2: The Welsh Government should recognise the importance of the coastal and marine tourism and recreation sector, and do more to highlight its potential in supporting blue growth in the Plan.**

**Response: Accept**

We are investing significantly in new products on our coast from resort regeneration through to direct business support, and these are being used to market Wales during our year of sea. Our new campaign *like the Wales Way* includes a coastal route and we recognise that supporting our fantastic seascape is vitally important. Our research shows how important our coastal offer is to tourism in Wales. We will work with stakeholders to ensure that marine planning highlights how coastal and marine tourism and recreation has great potential in contributing to blue growth.

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

**Recommendation 3: The Welsh Government should set out the purpose of Strategic Resource Areas in the Plan, and set out a degree of consistency of approach towards them. The draft Plan should explicitly state that development will take place following an ecosystems approach and within environmental limits.**

**Response: Accept**

The WNMP will set out clearly, the purpose of Strategic Resource Areas (SRAs), how they have been identified and what we expect them to achieve. The plan identifies SRAs as part of our approach to spatial planning, enabling and supporting an improved evidence base for these areas, both at a strategic scale (e.g. are there particular environmental limits or important ecosystem services that should be considered) and at the project level (e.g. the specific opportunities and constraints for specific activities in each area).

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

**Recommendation 4: The Welsh Government should seek to establish a cross-border advisory panel comprising the Marine Management Organisation and Natural Resources Wales to oversee cross border marine issues.**

**Response: Accept in principle**

Cross-border marine planning and management is an important area which needs consideration at different scales across the Irish Sea as well as in terms of land-sea interfaces. We will:

- continue to work closely with the Marine Management Organisation (MMO) as the marine planning authority for the south-west and north-west of England and with which we share planning responsibility in the Dee and Severn estuaries;
- establish a relevant public authorities Implementation Group to aid information exchange and consistency of decision making by public authorities, including NRW and the MMO;
- consider how best to engage at the local estuarine scale including the merits of a cross-border advisory panel;
- continue to develop relationships with neighbouring countries including through a new Irish Sea five marine planning administrations initiative.

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

**Recommendation 5: The Welsh Government should demonstrate how the Plan will interact with the area statements delivered under the Environment (Wales) Act 2016.**

**Response: Accept in principle**

Natural Resources Wales is in the process of developing the first suite of Area Statements under the Environment Act. The role of Area Statements is to facilitate the implementation of Wales' Natural Resources Policy (NRP) in the local context. Wales' inshore waters are an important national resource, and the WNMP will guide the way in which we will take forward the delivery of the NRP priorities in this area as part of our approach to the management of Wales' marine natural resources.

One of the seven Area Statements to be produced will cover the Welsh inshore marine area, which specifically addresses the need for alignment with marine planning. Area Statements will



provide evidence around the national priorities in the NRP and the risks and opportunities for the sustainable management of natural resources. As such, they will be an important tool to support planning and decision making.

The draft WNMP includes a policy requiring consideration of any relevant Area Statement in decision-making. Welsh Government will consider the need for supporting implementation guidance in relation to aspects of marine plan policy as part of the wider marine planning process. If appropriate, this may include guidance related to Area Statements.

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

**Recommendation 6: The Welsh Government should set out how the National Development Framework, Planning Policy Wales and the draft Plan will work together. This should include the decision-making process for agreeing developments on land which will have an impact on the marine environment and the consultation process between the relevant planning authorities and Natural Resources Wales.**

**Response: Accept in principle**

Together the WNMP, Planning Policy Wales (PPW) and the National Development Framework (NDF) will set the strategic direction and framework for decision making in the terrestrial and marine environments. They will support integrated decision making and collaboration across land and sea interfaces.

#### *Planning Policy Wales*

PPW sets out the national land use planning policies for Wales which include policies on various marine-related topics which traverse the coastline including Energy, Transport, Coastal Management and Biodiversity.

#### *The National Development Framework*

The NDF will identify the key national spatial planning issues and will reflect the policies in the WNMP. The NDF may also potentially include specific policies on the land use developments associated with schemes identified in the WNMP.

The NDF will have development plan status and so will have substantial weight in the on-shore planning decision making process, including Developments of National Significance and those additional consents transferred to Wales by the Wales Act.

There is currently a consultation on the Preferred Option of the NDF and we will use this period, before the draft version of NDF is published in 2019, to understand and develop our understanding of the relationship and interaction of the two plans. This will include further consideration of how the WNMP, the NDF and PPW will collectively work together to deliver our objectives for our land and sea.

#### *Development Consenting*

While the process for gaining planning permission under the Town and Country Planning Act 1990 extends to the low water mark, some developments straddle both the land and marine area. These include infrastructure applications such as alterations to ports or harbours as well as

offshore renewable developments such as tidal and wave technologies. On 30 April the Cabinet Secretary for Energy, Planning and Rural Affairs released a consultation which sets out how the Welsh Government intends to consent such projects in the future.

The consultation proposes to establish a new type of consent which aims to integrate both the NDF and the WNMP into the decision-making process making them both the primary policy basis on which decisions on infrastructure will be made.

### *Consultation Process*

NRW are statutory consultees and will continue to be engaged in the development of the WNMP, PPW and the NDF (including the Integrated Sustainability Appraisal process).

As part of the new infrastructure consenting process, it is proposed to require pre-application consultation to be undertaken by developers with statutory consultees such as NRW, as well as other conservation bodies, offshore, reflecting existing requirements onshore. It is also proposed to require local planning authorities to submit a Local Impact Report in response to a proposed major scheme.

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

**Recommendation 7: The Welsh Government should establish a programme of evidence gathering, supported with a dedicated budget, for delivery by Natural Resources Wales.**

**Response: Accept in principle**

The plan emphasises the need for a collaborative approach to evidence. Welsh Government supports an extensive programme of evidence gathering, delivered by ourselves and a range of partners. Evidence in relation the WNMP relates to a wide range of topics, not just environmental quality or condition, (e.g. resource availability, existing activities, opportunities for co-existence, socio-economic considerations) and such evidence needs to be gathered from a range of sources and by a range of organisations. For example:

- Welsh Government grant in aid to NRW provides for marine and coastal evidence gathering (eg monitoring of protected sites);
- Our shared marine evidence budget, administered by the Department for Environment, Food and Rural Affairs (DEFRA), supports strategic research and evidence activity across England and Wales; and
- Welsh Government undertakes monitoring of fish stocks and fishing activity amongst assessment of other activities and natural resources.

Other important evidence gathering is undertaken by business, academia, charitable organisations and individuals.

Our focus is ensuring that current and future evidence activity is joined up and integrated with data being collected once and used many times. NRW has an important role to play and will continue to gather marine evidence but as part of a wider perspective. Through the marine

planning process we are developing our understanding of evidence gaps and priorities and this will feed into a broader WG marine evidence plan.

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

**Recommendation 8: The Welsh Government should carry out a comprehensive review of the draft Plan after five years to fully take account of the changes in policy and legislation that result from Brexit.**

**Response: Accept in principle**

There is a statutory requirement under the Marine & Coastal Access Act (2009) to review marine plans and produce an “Effectiveness report” every three years and an “Intentions report” every six years. It will be important that the plan review process includes Brexit considerations.

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

**Recommendation 9: The Welsh Government should specify how the success of the plan will be measured and monitored.**

**Response: Accept**

Evaluation of the effectiveness of any plan is an important part of the planning process. The Marine and Coastal Access Act (2009) (S.61) requires Welsh Ministers, as the marine planning authority, to keep certain matters under review so long as the plan is in effect including:

- the effects of the policies in the marine plan;
- the effectiveness of those policies in securing that the objectives, for which the marine plan was prepared and adopted, are met;
- the progress being made to securing those objectives; and
- the progress being made towards securing that the objectives, for which the UK Marine Policy Statement was prepared and adopted, are met in that region (where an MPS is in place).

The planning authority must lay a report relating to these matters before the Assembly. The first report must be published within three years of the date which the plan was adopted. Successive reports must be published at intervals of no more than three years. Welsh Government will work with stakeholders to develop our detailed proposals for monitoring and reporting and publish our approach alongside the WNMP.

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

**Recommendation 10: The Welsh Government should ensure that guidance and training is available to all stakeholders to support the delivery of the plan.**

**Response: Accept in principle**

The Welsh Government recognises the need for and potential value of providing training and guidance. Our initial focus in facilitating plan implementation is to work with and support the relevant Public Authorities, who are the decision makers under the plan. Support may also be needed for project applicants. We will work with stakeholders to agree where there is a need for guidance to support plan implementation.

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

**Recommendation 11: The Welsh Government should explore the costs and benefits of appointing regional implementation officers to provide guidance and deliver an implementation programme.**

**Response: Accept**

Supporting the implementation of the WNMP will be an important aspect of work for Welsh Government: both in advance of and after the plan has been adopted. We are in discussion with the Marine Management Organisation (MMO) and other planning authorities to learn from their experience of plan implementation. Welsh Government will work with stakeholders to assess the costs and benefits of appointing regional implementation officers to support plan implementation. We will make our findings available in advance of plan adoption.

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

**Recommendation 12: The Welsh Government should seek to raise the profile of the plan with the wider public and explore what can be done to make the content of the plan accessible as possible.**

**Response: Accept**

We will continue to develop our policy in an open and collaborative way, seeking feedback from members of the public and stakeholders at key stages within the development. Meaningful engagement is a priority throughout the planning process, as set out in the Statement of Public Participation.

We have developed a communications plan to support activity under the Statement of Public Participation. In order to help the wider public understand marine planning, we created an animation which we will promote further as the plan reaches its final stages. Our Stakeholder Reference Group has and will continue to play a key role in shaping the plan and communicating it through their own networks. We will work with this group to understand options for making the plan as accessible as possible.

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

**Recommendation 13: The Welsh Government should pay particular regard to issues of national importance which will have a local impact. This exercise should consider whether a particular focus on high use areas such as the Pembrokeshire Coast and estuaries is useful.**

**Response: Accept**

Welsh Government has recently consulted upon the need for regional marine planning. In addition, we have commissioned a review of good practice in national and regional planning systems. Overall, there is good support for sub-national planning but stakeholders have suggested it may be premature to initiate sub-national planning at this stage and effort should be aligned to learning from experience of implementing the WNMP. We recognise that some areas of the marine plan area are busier than others and may need a particular focus. As we implement the WNMP and undertake monitoring to understand the effectiveness of the plan and its policies we will consider whether a particular focus on high use areas would be appropriate.

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

Lesley Griffiths  
Cabinet Secretary for Energy, Planning and Rural Affairs

# Agenda Item 4.2

Lesley Griffiths AC/AM

Ysgrifennydd y Cabinet dros Ynni, Cynllunio a Materion Gwledig  
Cabinet Secretary for Energy, Planning and Rural Affairs



Llywodraeth Cymru  
Welsh Government

Llywodraeth Cymru  
Welsh Government

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[SeneddCCERA@assembly.wales](mailto:SeneddCCERA@assembly.wales)

20 June 2018

Dear Mike

In December 2017, you published a report following your scrutiny of the Welsh Government's draft budget 2018-19. Recommendation number 10, stated the Welsh Government with Natural Resources Wales (NRW), must keep under review the capacity of NRW to fulfil its responsibilities and statutory functions.

The recommendation asked for an initial report on this matter within six months. The attached report has been produced by Natural Resources Wales and Welsh Government.

As of 27 March 2018, NRW's 2018-19 budget has been confirmed at £197.4m (including ~£13m of additional 'end of year' funding from WG). NRW has published their Corporate Plan to 2022, and their Board has agreed NRW's Finance Strategy to 2022 and their Business Plan for 2018-19.

The significant level of funding NRW receives has allowed them to set ambitious targets in their Business Plan, however there is more they would like to be able to deliver.

Their plans and strategies reflect their delivery priorities. Their statutory functions have since changed through Acts including the Well-being of Future Generations (Wales) Act 2015, Environment (Wales) Act 2016 and Planning (Wales) Act 2015. These Acts make it clear how, with partners, NRW is expected to work and deliver over the coming years.

Cont .....

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

Back Page 60

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

My officials are continuing discussions about the future vision for NRW including a strategic look at priority areas.

Regards

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

**Lesley Griffiths AC/AM**

Ysgrifennydd y Cabinet dros Ynni, Cynllunio a Materion Gwledig  
Cabinet Secretary for Energy, Planning and Rural Affairs

## Climate Change, Environment and Rural Affairs Committee Scrutiny of the Welsh Government Draft Budget 2018-19: December 2017

### Initial Response to Recommendation 10 by Welsh Government and Natural Resources Wales

#### Background

The Climate Change, Environment and Rural Affairs Committee published a report in December following their scrutiny of the WG Draft Budget 2018-19. One of the 15 Recommendations was:

The Welsh Government must, in discussion with Natural Resources Wales (NRW), keep under review the capacity of NRW to fulfil its responsibilities and statutory functions. The Welsh Government should provide an initial report on this matter to the Committee within six months.

#### Funding context

In a letter to the Minister for Environment of 12 October 2017, the Chair of NRW described their current and likely future position in relation the draft budget (as outlined by the Cabinet Secretary for Finance and Local Government in his 3 October 2017 statement).

As of 27 March 2018, their 2018/19 budget has been confirmed at £197.4m (including £13m of additional 'end of year' funding from WG). They have also published their [Corporate Plan to 2022](#). Their Board has agreed their Finance Strategy to 2022 and their Business Plan for 2018/19. On receipt of their remit letter, the Chief Executive (under delegated authority from the Board) can give it her final approval. The significant level of funding NRW receives has allowed them to set ambitious targets in their Business Plan, however there is more they would like to be able to deliver.

Their plans and strategies reflect their delivery priorities. NRW's roles and responsibilities are summarised [here](#). Their statutory functions, set at the time of the organisation was created, are largely reflected [here](#). These have since changed through Acts including the [Well-being of Future Generations \(Wales\) Act 2015](#), [Environment \(Wales\) Act 2016](#) and [Planning \(Wales\) Act 2015](#)). These documents make it clear how, with partners, NRW is expected to work and deliver over the coming years.

#### Funding and planning

NRW manages their funding to meet financial spend targets year on year. They will deliver the savings identified in the Business Case for setting up NRW and this has helped to support their reduction in Grant in Aid funding. However, whilst funding reductions now exceed savings, they are developing plans to ensure they are ready for the opportunities and risks from Brexit.

NRW want to continue to deliver their work efficiently in future. Officials are discussing with NRW how they might help NRW to do this, which might include providing longer-term sources of funding. Officials are also discussing long term priorities with NRW. Both of these should help NRW to improve the planning and delivery of their core activities.

NRW has plans to increase other sources of funding, such as new and existing commercial income streams and charge schemes. This requires further discussion with officials and will need Ministerial support and approval to meet this ambition.



## Welsh Government support

In the letter to the Minister, NRW highlighted some key ways they believe Welsh Government could support delivery of their work on a long-term basis. These included:

- Enabling NRW to retain income from windfarm developments on the Welsh Government Woodland Estate (currently NRW is required to surrender this income to Welsh Government);
- Supporting NRW covering costs in areas where we directly charge customers, e.g. raising charges;
- Providing us with core Grant in Aid funding for our 'new' duties (e.g. Reservoirs Act)
- Funding job evaluation (an element of moving toward a new organisational design)
- Providing long-term funding for tree health activity (which currently receives annual funding allocations)

NRW received additional one-off funding (~£13m) in 2018/19 in relation to their new duty with regard to reservoirs and tree-health. However, they have funded themselves for the impact of consolidating the 2017/18 pay award into 2018/19. They have reflected the increase in cost of job evaluation by allowing staff the option of opting out, thereby extending the period in which they will pay for protection of salary.

NRW and Welsh Government officials have started conversations about other areas of support, including the potential for:

- Open and transparent prioritisation of Grant in Aid with opportunities for NRW to influence the budget
- Increasing non-flood capital funding, which is currently insufficient
- Longer term funding settlements, or introduction of a funding floor, for a term of government
- Not ring-fencing Grant in Aid funding, such as between Flood and Non-Flood, to better support work that delivers multiple benefits
- Legal support to remove restrictions on raising new commercial income streams, such as powers to trade
- Funding work to ensure joint Brexit preparedness develops at pace.

## Responding to reducing funding

NRW is currently creating a new organisational design based on what they consider their future funding position is likely to be. So, as an example, NRW believe a reduction of £6m Grant in Aid over two financial years means they will need to reduce their 2020 structure to accommodate that.

The new organisational design will reflect the anticipated reality of their future funding position. Each year they plan their activity to the resources they expect to have available. NRW and officials have started discussions to identify activities which may be delivered differently/with others this year, or may be halted

These discussions have also started to look at those activities which may be delivered more slowly. These discussions are ongoing, and are not easily completed. Both Welsh Government and NRW are working together to come to an agreement about how these activities are placed against current Welsh Government priorities and NRW statutory requirements.

## Summary

NRW and Welsh Government are working together, alongside their mutual partners, to review the capacity of NRW to fulfil its responsibilities and statutory functions. Both organisations are working to develop a shared sense of priorities, based on the funding to support them.