



Llywodraeth Cymru  
Welsh Government

Llyr Gruffydd MS

Chair, Climate Change, Environment and Infrastructure Committee

07 March 2022

Dear Llyr,

Thank you for your letter of 4 February 2022 containing the Climate Change, Environment and Infrastructure Committee's report on its Scrutiny of the Government's Draft Budget 2022 – 23. We are grateful for the Committee's work on this. Please find attached the Welsh Government's response.

Yours sincerely,

**Julie James AS/MS**  
Gweinidog Newid Hinsawdd  
Minister for Climate Change

**Lee Waters AS/MS**  
Dirprwy Weinidog Newid Hinsawdd  
Deputy Minister for Climate Change

## **Response to Climate Change, Environment and Infrastructure Committee's report on its Scrutiny of the Government's Draft Budget 2022 – 23**

### **Recommendation 1**

The Committee recommends that:

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

### **Response: Accept in principle**

We have already developed a comprehensive system to monitor delivery of *Net Zero Wales* including legislation, indicators, a monitoring and reporting system, independent progress reports from the Climate Change Committee as well as scrutiny from the Senedd and Senedd committees, both on the whole plan as well as individual policies.

More general progress towards our targets and budgets is tracked and reported on an annual basis through our Wellbeing of Wales report. Our national well-being indicators tell the story of progress towards our 7 wellbeing goals and include measures of greenhouse gas emissions (both on a domestic and consumption basis). Our Greenhouse Gas emissions are published annually through the inventory.

Our legislation was designed to assess overall progress against the targets and budgets, by including reporting requirements at the end of each budgetary period. This helps scrutineers to understand the macro trends, rather than focus on single years, which can demonstrate significant variability. We are due to publish our first Progress Report later on this year, which will show if we have met our first carbon budget.

Welsh Government keeps these arrangements under review to ensure delivery progress is maintained.

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

### **Recommendation 2**

The Committee recommends that:

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

**Response: Accept**

Our emission reduction targets are set at a Wales level and as such, *Net Zero Wales* is an All Wales plan, recognising that actions will need to be taken by everyone, including UK Government and the private sector.

Each emissions sector has different opportunities and challenges in meeting the level of investment required in the net zero transition, and we recognise that the private sector has a very important role to play. Whilst many of the key policy levers influencing private sector investment are reserved to the UK Government, the Welsh Government are utilising the powers/opportunities available to us to leverage additional private sector investment, and are pushing the UK Government in policy areas that are reserved.

Whilst a fully comprehensive plan cannot yet be developed given the inherent uncertainty both in the UK Government's approach and the evolution of technology, we will provide an update in our first Progress Report, which is due later this year.

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

### **Recommendation 3**

The Committee recommends that:

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

**Response: Accept**

Welsh Government are in the process of commissioning an independent review of the delivery of the marine licensing regime in Wales. The review will be completed by summer 2022 and an update will be provided to the Committee once the process concludes including with respect to any related budget changes and funding for NRW's Offshore Renewable Energy Programme.

**Financial Implications** – None. Costs for the review will be drawn from existing programme budgets.

### **Recommendation 4**

The Committee recommends that:

**The Welsh Government should:**

- **explain whether and how the UK Government's decision not to provide funding for the reclamation and remediation programme will impact the delivery of the programme in the longer term**

**Response: Accept**

The Welsh Government is committed to the safety of our communities and to prepare for the challenges of climate change, which can result in more extreme weather events. We are also committed to transforming the waste assets of coal tips into social, economic, cultural and environmental benefits for Welsh communities. We do not accept Welsh communities should be expected to shoulder a disproportionate cost of the reclamation of disused coal tips. The cost of any actions to mitigate and address the risks created by the legacy of the UK coal industry, should be supported on a UK basis and we continue to call on the UK Government to meet its responsibilities in this regard.

The UK Government's decision in the Spending Review in October 2021 will have impacts on Welsh Government budget decisions. We will need to reconsider our priorities across all portfolio areas to redirect and secure the necessary funding from our own budget. This could impact on the duration of a reclamation programme, requiring the delivery of the programme to be spread over a longer period of time. We have, however, committed capital funding of £44.4 million over the next three years for local authorities to undertake maintenance and remediation works.

- **clarify whether it intends to continue to pursue its ambition to repurpose coal tips in light of the UK Government's decision.**

**Response: Accept**

The Welsh Government will continue to pursue this ambition, to safeguard local communities over the longer term. We recognise the benefits of investing in a programme of reclamation and repurposing can bring to Welsh communities significantly impacted by Wales' industrial past. Benefits including developing new skills and more employment to Valleys' communities, improving the environment for people who live there and potential new recreational opportunities.

**Recommendation 5**

The Committee recommends that:

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

**Response: Accept**

Work is on-going to develop a new coal tip safety regime for Wales. The Law Commission are due to submit their recommendations for a new regulatory framework to the Welsh Government imminently. We will consider these recommendations alongside our policy analysis and look to prepare a White Paper for public consultation in April, following Easter Recess. The timing for introducing Bills to the Senedd will be for the First Minister to announce in his statement on the wider legislative programme before summer recess.

## **Recommendation 6**

The Committee recommends that:

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

### **Response: Accept**

The draft capital budget allocations will enable the delivery of our Clean Air Plan commitments, including an enhanced air quality monitoring network and also support to local authorities to take action on local air quality including the achievement of statutory limits for roadside nitrogen dioxide concentrations. The reducing budget allocation across the funding period reflects that our largest capital commitments (local authority nitrogen dioxide costs, and the air quality monitoring network costs) will be largely completed prior to 2024-25. There are no significant capital costs associated with the draft provisions of the Clean Air Bill as identified in the White Paper consulted on in 2021. The draft capital budget for 2024-25 will meet any residual monitoring network costs and also grant funding for local authorities to help address local air quality challenges. The draft revenue budget will support the development of the Bill, including costs associated with the identification of new air quality targets and other evidence.

## **Recommendation 7**

The Committee recommends that:

**The Welsh Government should clarify when the summary of responses to the White Paper on the Clean Air (Wales) Bill will be published. This should include an explanation for the delay in publication and whether this will impact the timing of the Scrutiny of the Welsh Government Draft Budget - 2022-23 introduction of the Bill, and an indicative timetable for the remaining phases of the Bill's development.**

### **Response: Accept**

Due to other work pressures the release of the summary of responses has been delayed. However, we aim to publish the document shortly. Work is progressing to support the development of new air quality targets, the introduction of a new air quality monitoring and assessment service to support targeted action to improve air

quality and enhancements to the Local Air Quality Management regime. The budget allocations for the Draft Budget are not dependant on the summary of responses or the implementation on the Bill. The timing for introducing Bills to the Senedd will be for the First Minister to announce in his statement on the wider legislative programme before summer recess.

### Recommendation 8

The Committee recommends that:

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

#### Response: Accept

The Future Generations Commission’s report “Homes Fit for the Future: the Retrofit Challenge” estimated the costs of decarbonisation at circa £15bn, broken down as follows.

| Tenure/ status                     | Number of homes                       | Average investment required per home | Total Investment (bn) |
|------------------------------------|---------------------------------------|--------------------------------------|-----------------------|
| <b>Social housing</b>              | 230,000 (~21,000 are in fuel poverty) | £24,000                              | £5.52                 |
| <b>Fuel poor housing</b>           | 155,000 (~21,000 are socially rented) | £35,984                              | £4.82                 |
| <b>Private Rented Sector (PRS)</b> | 180,000 (~36,000 are in fuel poverty) | £4,700                               | £0.67                 |
| <b>Owner Occupier</b>              | 924,000 (~99,000 are in fuel poverty) | £4,525                               | £3.73                 |
| <b>Total</b>                       |                                       | -                                    | <b>£14.75</b>         |

- The average cost per home is built on data from the Welsh School of Architecture (WSA), to achieve EPC A for social housing and fuel poor homes, and EPC C for all other homes.
- The figures presented above should not be viewed as a definitive prediction of the final cost of decarbonising the Welsh housing stock. These estimates incorporate reductions from today’s prices for technologies and measures that are expected to come down in cost significantly in the coming years.
- It is also anticipated that ORP and the scale economies of a nationwide retrofit programme, may further contribute to cost reductions and process efficiencies. Furthermore, new technologies may emerge which radically alter the chosen pathway for home retrofit.
- WSA modelling is however used as a near term guide to the overall cost of decarbonisation of homes in the coming years.

- Cost savings of 20% for social housing and 10% for all other tenures from the WSA modelling are built in to the average investment per home above.
- The allocation in the current budget is considered sufficient for our intended approach which is to support our ORP ‘test and learn’ pathway, to assist in gaining a detailed understanding of the cost and pathways to decarbonisation for the Welsh housing stock. This will help to inform a longer term delivery plan for large scale retrofit programmes. Investment through MRA and Dowry has been maintained to support delivery of the new Welsh Housing Quality Standard which will be introduced from 2023 and which will have a strong focus on fuel efficiency and decarbonisation.

**Financial Implications** – No additional financial implications arising from this response.

## **Recommendation 9**

The Committee recommends that:

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

### **Response: Accept**

The Optimised Retrofit Programme (ORP) has provided funding to 4,500 social homes across Wales to date. ORP also invests funding to address the underpinning factors required to effectively decarbonise homes including;

- Creating jobs, training and apprenticeships to upskill, retrain people and businesses, with the necessary green skills to competently undertake work to residents homes,
- improving decarb receptiveness amongst residents,
- creating efficient procurement models,
- growing welsh supply chains,
- supporting SME businesses,
- sharing learning regarding residential decarbonisation to organisations and individuals.

By the end of 2025, we expect ORP investment to have contributed to the decarbonisation journey of 148,000 homes by plugging the finance gap between what social landlords can afford to invest in decarbonising each social home and the current costs of such works.

Channelling ORP investment through social landlords supports a ‘testing and learning’ approach to how to effectively and efficiently decarbonise homes.

While a range of homes have begun their decarbonisation journey already. Progress is slower than anticipated due to tenant access to homes being affected by COVID restrictions over the last 12 months. Supply chain shortages have also affected the availability of microchips needed in the meters installed to measure the impact of decarbonisation works to social homes over time. As these issues resolve, the programme will accelerate.

**Financial Implications** – No additional financial implications arising from this response

## **Recommendation 10**

The Committee recommends that:

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

### **Response: Accept**

Welsh Government has started evaluating a variety of options for financing retrofit in the owner-occupied and private rented sectors. These incorporate both grant funding and repayable finance. The financial capacity of the end user will be utilised to help direct them to the most appropriate financing solution in the medium term.

Some of the models that will be considered include Property Assessed Clean Energy, in which the loan is linked to the property rather than individual, low interest loans, equity release loans and green mortgages. A grant mechanism may also be needed for lower income households.

Welsh Government is working with the sector to evaluate the long-standing WHQS programme and to develop a revised standard. The new version will move us forward in tackling fuel poverty and climate change, setting the standards for the retrofit of social homes. Establishing this standard is also key to developing a funding model for the future. We are ensuring that we work with DBW to ensure that we align offers and work in this space.

**Financial implications** – No additional financial implications arising from this response.

## **Recommendation 11**

The Committee recommends that:

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

### **Response: Accept**



Intergovernmental discussions are continuing in relation to the bans as part of the post-Brexit Common Framework Agreements. All options are being explored. The Welsh Government remains committed to delivering our policy ambition on single use plastic.

## **Recommendation 12**

The Committee recommends that:

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

### **Response: Accept**

A Climate-led behavioural change programme is being developed which will include multi climate-positive behavioural change campaign strands, to be delivered under a single integrated campaign approach, including the need for people to embed the climate emergency in the way that they travel.

The programme of work will be included in the National Transport Delivery Plan and updates will be provided regularly as part of that work, reporting to the Transport Performance Board.

Specific action is also being undertaken across the transport division to embed behaviour change in line with the Wales Transport Strategy, including:

- Development of a range of behaviour change projects to encourage people to make smarter travel choices to reduce congestion, and increase use of sustainable modes of transport, including car clubs, active journeys to school and 20mph roll-out.
- Supporting movement away from individual vehicle ownership to shared solutions including supporting car club pilots and bike sharing schemes.
- Use of education, marketing and other tools to transform the image of walking, cycling and public transport – this will include further support to expand TfW’s community engagement role to include travel planning, supporting partners and other organisations to deliver facilities and programmes which encourage modal shift. TfW is also undertaking a Public Transport Recovery Campaign in March/April focusing on modal shift and use of public transport for social networking.
- Staff training to upskill policy leads to embed behaviour change in all our activities, ensure that we are offering the opportunity to change behaviour through provision of sustainable transport choices, the capability to take part in behaviour change through training and support and the motivation to encourage the change in behaviour through marketing campaigns.

### **Recommendation 13**

The Committee recommends that:

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

#### **Response: Accept**

It is clear that large numbers of people being asked to work from home has had a significant impact on rail patronage. Even with the legal requirement to work from home lifted at the end of January 2022, rail patronage across the Wales & Borders / Core Valleys Line (CVL) networks is only around 60% of what it was on weekdays pre-Covid. This is in contrast to weekend patronage, which is dominated by leisure travel, which has recovered to around 80%.

TfW has run forecasts using regional transport models to understand the potential impact of increased remote working on public transport. These forecasts will inform how our future policies develop to encourage public transport usage when peak period road congestion is reducing, and ensuring that those who travel to work less frequently do so by public transport.

The headline forecasts without any new interventions are:

- There has been a greater percentage reduction in public transport trips compared to car trips, as people deciding to work from home are more likely to be those who were previously travelling regularly into urban centres by train or bus.
- If 30% of the workforce in Wales works from home on a regular basis, this is could result in a reduction of 25% in regular commuters using public transport.
- Combining all journey purposes together we would expect all-day public transport usage to be 5-10% lower than it would be if pre-Covid levels of remote working continued.
- As a result increased remote working post Covid is likely to result in an increase in the modal share accounted for by car travel (and therefore public transport and active travel mode shares decrease). Overall modelling suggests that increased remote working will lead to reduced congestion on roads in urban areas (as evidenced during the pandemic), meaning that for those still travelling to work, the car becomes a comparatively more attractive option. For urban areas such as Cardiff, reduced peak time congestion on key radial routes means that rail loses some of the time advantage that it would otherwise have over the car.

Available evidence on bus passenger use suggests patronage has also recovered to about 60% of pre Covid levels on local bus services across Wales. However, this varies between areas and particular routes.

The Welsh Government has set a goal of enabling 30% of Welsh workers to work remotely, and has identified the following key benefits the policy:-

- a reduction in travel time and expense
- more flexibility and better work-life balance
- increased productivity
- less traffic, especially at peak times
- less air and noise pollution; and
- the opportunity to redesign towns and city centres.

An Integrated Impact Assessment was prepared in April 2021 to examine the evidence and tests the assumptions underpinning each of the assumed benefits, establish where further evidence is required, and identify where potential mitigating measures are likely to be needed.

To deliver its ambitions, the Welsh Government is considering a number of supporting measures. These include enabling a network of remote working hubs located close to where people live (offering an alternative workspace to the traditional “company office”), guidance to businesses / third sector organisations in equipping their operations for remote or decentralised working, and support to individuals (advice, ICT services, equipment and well-being support).

The policy interlinks with other policy areas such as transport strategy, Fair Work Wales and town and city centre regeneration. This IIA identifies these connections and provides a cross cutting and comprehensive assessment across different areas of impact.

#### **Recommendation 14**

The Committee recommends that:

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

#### **Response: Accept**

Welsh Government has established a Task and Finish Group, chaired by James Davies of Industry Wales, to develop plans for Bus Fleet De-carbonisation and Demand Aggregation to meet zero emission bus targets. The Group includes representation from bus operators and manufacturing. A final report from the Group will be produced by the end of March 2022 and delivery plans will be developed this year. My officials have been drafting an Action Plan to decarbonise the Taxi and PHV fleet that details the steps needed to transition to zero tailpipe by 2028. It is Welsh Government’s intention to consult on the key elements of that Action Plan as part of our White Paper consultation for the proposed Taxi and PHV Bill.

**Financial implications** - There are no immediate financial implications.

## Recommendation 15

The Committee recommends that:

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

### **Response: Accept**

We are currently updating the Welsh Transport Appraisal Guidance (WeITAG) to embed the sustainable transport hierarchy and ensure decisions on transport investment reflect the vision, priorities and ambitions of Llwybr Newydd – the Wales Transport Strategy. We will be consulting on the new guidance in the spring.

The sustainable transport hierarchy sets the priority as maintaining and making best use of existing infrastructure, but that where new infrastructure is required, the priority should be walking and cycling and public transport over private motor vehicles. The Resilient Roads Fund provides funding to local authorities to maintain and repair sustainable transport networks that are impacted by the effects of climate change. The Active Travel Fund supports local authorities to deliver their active travel networks and the Local Transport Fund supports local authorities to deliver schemes that improve access to public transport, including bus stop infrastructure, bus priority, rail park and ride, and bus/ rail interchange. Funding for local road schemes has been paused subject to the outcome of the roads review.

The guidance on the preparation of the new Regional Transport Plans will set out how CJs need to set the policies for delivering the vision, priorities and ambitions of the Wales Transport Strategy in the region. The policies should reflect the sustainable transport hierarchy in order for the Regional Transport Plan to be considered consistent with the Wales Transport Strategy.

## Recommendation 16

The Committee recommends that:

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

### **Response: Accept**

TfW's multimodal recovery marketing campaign aims to encourage people to return to and consider using public transport and active travel when they're reconnecting with friends and family, rediscovering places, and returning to work. Over the long-term the aim encourage people to change their behaviour and make more

sustainable journeys using public transport, instead of the car, on an ongoing basis. We want to build people's trust in public transport, for them to understand the imperative for behaviour-change and for public transport increasingly to become their preferred way to travel.

TfW have worked on the basis of changes to people's commuting pattern. As such they have introduced a scheme to address the workers who occasionally commute to the office with the Multiflex. This scheme enables people to get 12 single journey tickets for the price of 10. This also is valid for 3 months after purchase unlike many parts of the UK that only lasts for a month.

TfW have developed a campaign proposition rooted in insight that can be used across different modes of public transport and active travel to encourage people to make complete journeys using public transport and active travel. They have devised this unified and strategically aligned approach to marketing communications across different types of public transport and active travel to achieve greater impact in terms of behaviour-change and deliver better value for public money through increased marketing effectiveness.

The campaign will also help build a brand that is synonymous with an effective, integrated, and sustainable public transport network that people can be proud of. We hope greater emotional engagement with a trusted brand will make TfW people's preferred choice for planning journeys, purchasing tickets and travelling.

## **Recommendation 17**

The Committee recommends that:

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

### **Response: Accept**

We have already mentioned our draft Action Plan and proposed White Paper on the Taxi and PHV Bill under recommendation 14. In addition TfW are running a driver survey that includes questions around support measures that would help with transition and the evaluation of the Try Before You Buy scheme that is currently operating as a pilot initiative will play an important role in terms of helping to shape future policy proposals. The output from this and ongoing stakeholder engagement as part of White Paper preparations will be used to determine any future funding for transition.

**Financial implications** - There are no immediate financial implications

## Recommendation 18

The Committee recommends that:

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

### Response: Accept

#### Capital Budget for Network Operations

Paragraph 56 reports “an increase in the capital budget for ‘network operations’”. For clarity it should be noted that the historical two capital budgets lines for the strategic road network (national transport infrastructure and network operations) have been merged for the purpose of the draft budget. The network operations budget line, as well as covering maintenance operations and maintenance contracts, is also needed to meet the on-going contractual commitments for those projects that were already under construction (net value of approximately £41m for 22/23). The capital budget available for network operations in 22/23 is therefore £84m which represents a £22m reduction on the allocation for the previous year; as a result of the limited capital settlement the Welsh Government received as part of the UK Spending Review and the difficult choices which had to be made. Whilst outstanding contractual commitments do diminish in future years, the value of those commitments will need to be met from the network operations budget line in future years.

#### Trunk Road Network

The SRN is the largest and arguably most important asset that Welsh Ministers are directly responsible for. With a gross replacement value of over £18bn it carries more than 11bn vehicle kilometres per annum, one third of all traffic in Wales. It provides crucial connectivity and enormous economic benefits and the way it is operated, maintained and improved plays a key role in delivering priorities in Llwybr Newydd, the new Wales Transport Strategy. In particular: Priority 2 – allow people and goods to move easily... relies heavily on safe, well maintained and managed transport infrastructure that is future-proofed to adapt to climate change.

Any maintenance backlog will lead to a deteriorating trunk road asset with the consequential impact to safety, reputational and legal challenges to Welsh Ministers as it can result in:

- Increased safety risks, e.g. concrete falling from bridges, lighting columns collapsing and vehicle restraint systems unable to safely contain errant vehicles
- Road closures and weight limits to prevent structural collapses
- Reduced resilience of the network in the light of the impacts of climate change
- Increased greenhouse gas emissions from traffic queueing to get through, or diverting around, restricted parts of the network and repeated visits to the same sections of the network to address individual failed assets
- Increased costs in the short, medium and long-term

In order to address this backlog a major asset renewal programme has been developed for delivery over a 5 to 10 year time period depending on the availability of funding. The programme aims to address the backlog on the Strategic Road Network (SRN) whilst also improving its resilience to the foreseeable effects of climate change.

A preliminary programme of improvement to circa 25 schemes has been developed, with costs ranging from approximately £5m to £200m per scheme. Further work is needed to identify the full scope of necessary improvements.

An independent panel has been established to review this programme to consider whether the approach adopted in developing the major asset renewal programme balances the need of Welsh Ministers' to meet their statutory duties as highway authority for the network whilst not incurring more expenditure than necessary and demonstrating value for money. Feedback from the panel is due within the next month.

Once feedback from the panel is received and considered approval will be sought to commence preparatory works necessary to develop the scope and a procurement strategy for the programme so that the level and sources of funding required to deliver the programme can be identified.

Identifying the scale and delivery timescale of the programme is considered essential to ensure retention/development of a skilled Welsh supply chain in a market suffering from resource shortages driven by major infrastructure investment elsewhere in the UK for example HS2, the UK Government's Housing Infrastructure Fund programme and National Highways' delivery programme as well as opportunities in mainland Europe.

#### Local Road Network

The Resilient Roads Fund was introduced in 2020-21 to provide funding for local authority schemes to address disruptions caused by severe weather to the highway network, especially to the public transport network. Capital funding of £25m was made available in 2020-21 and £20m in 2021-22. Due to budget restrictions funding applications for 2022-23 have been limited to existing schemes only which will impact the ability of local authorities to introduce flood prevention measures on their highway networks.

If further capital funding becomes available in year 2022-23 RRF could be prioritised for additional funding.

A Local Government Public Highways Refurbishment Programme was established in 2018. An annual total of £20m was awarded to Local Authorities (by way of a formula) for them to make progress against the maintenance backlog on the local road network.

Consideration could be given to re-establishing this programme as a means of supporting Local Authorities to address the backlog.

Funding is also being provided to the local authorities for a 20 mph asset management survey for 20 mph signs and lines. Local Authorities will have the opportunity for a full asset management database to be produced for their road networks at a reduced cost, whilst undertaking the 20 mph survey.

Welsh Government could consider supporting the local authorities with funding this as it would enable future targeted investment by local authorities in a more proactive way.

### **Recommendation 19**

The Committee recommends that:

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

### **Response: Accept**

The basis for this decision is as follows. The repair and maintenance of the local highway network is a local authority responsibility and local authorities are funded through a range of council tax, Welsh Government specific and unhypothecated grants, non-domestic rates and fees and charges. Highways repair and maintenance can be a call on revenue or capital budgets depending on the work being undertaken. As set out in the Welsh Government's budget narrative, the overall capital funding for Wales falls in cash terms in each year of the Spending Review period and is 11 per cent lower in 2024-25 than in the current year. This and our focus on a greener Wales has led us to undertake a fundamental zero-base review of general capital budgets to create a new three year Infrastructure Finance Plan.

The Welsh Government provided significant time-limited additional capital funding for highways maintenance to Local Authorities since 2017-18 (£30m in 2017-18 and £60 million general capital funding to local authorities over three years i.e. £20m in each of 2018-19, 2019-20 and 2020-21). The effect of the constraint on public spending across the UK meant that difficult choices were made by local authorities and Welsh Government but we and local authorities recognise that effective maintenance can reduce the need for more costly repairs. Local authority revenue and capital expenditure on transport has increased as a result of their and Welsh Government investment during 2017-2021.

The Minister for Finance and Local Government agreed a further additional capital grant to local authorities of £70m for 2021-2022 which may be used by local authorities to respond to their own priorities including capitalised roads maintenance. The Local Government revenue settlement for local government in Wales increases on a like for like basis by 9.4% for 2022-2023 and the lowest increase for any authority is an increase of 8.4%.



While the Welsh Government could have considered providing specific revenue or capital funding for roads maintenance by continuing the Highways Refurbishment grant this would have been at the expense of this general funding which allows local authorities to make their own locally determined choices on priorities.

### **Recommendation 20**

The Committee recommends that:

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

#### **Response: Accept**

We have confirmed the flood revenue allocations for the local authorities for next financial year at £225,000 a 114% increase from the start of this current financial year.

Going forward, with the increase in revenue for flood risk management activities, we will need to work with all Risk Management Authorities, the 22 local authorities and NRW to understand their need and what additional benefit and increase in future allocations could provide. Allocation of future year's revenue based on current or future flood and/or coastal erosion risk is something we could consider, following detailed discussions with the Risk Management Authorities.

### **Recommendation 21**

The Committee recommends that:

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

#### **Response: Accept in principle**

Scoping work on an independent review into the Section 19 report published following the February 2020 flood is underway. Once this scope is complete and the delivery mechanism established, we'll be in a better position to understand the costs associated with such a review.

### **Recommendation 22**

The Committee recommends that:

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

**Response: Accept**

The Flood and Coastal Erosion Committee (FCEC) Sub-Committee, continue to work on three work streams, looking at control of flood risk management assets; roles and responsibilities and adaptation and resilience. This work is very much aligned with conversations occurring with the Law Commission.

The FCEC report on roles and responsibilities is expected to be published by end May 2022. Once the report is completed and published we will be in a better position to discuss next steps.

### **Recommendation 23**

The Committee recommends that:

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

**Response: Accept**

The Minister for Climate Change has worked with the Minister of Finance and Local Government to maintain NRW's core Grant In Aid (GIA) at £60m for 2022-23, while also providing an additional £1.5 million increase in revenue for their FCERM programme, from £21 million to £22.5 million in 2022-23.

Following the recent completion of its baseline review, NRW is working with Welsh Government officials to co-design service level agreements (SLAs) for each policy/delivery area that define the expected level of service, the metrics by which that service will be performance measured and the associated funding that is required to deliver the agreed service. The development of the SLA's are to be completed by October 2022, and are anticipated to include the administration of the Water Resources (Control of Agricultural Pollution) (Wales) Regulations 2021. Where this is the case, the development of the SLAs will explore the relationship between the delivery of pre-existing statutory functions that have been carried forward within the Regulations, including those functions which will not be replaced until the end of the relevant transitional periods, and any new responsibilities.

### **Recommendation 24**

The Committee recommends that:

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

**Response: Accept in principle.**

The Welsh Government accepts the principle that NRW should receive funding commensurate with its role and responsibilities. However, we must ensure that NRW has the right processes in place which will enable it to respond effectively to the twin emergencies and deliver the best environmental outcomes for the people of Wales. The Welsh Government must be assured that any increase in funding will be followed by a proportional increase in the level of service it receives. The baseline review will consider both of these matters in parallel and its findings will inform our final budget.

### **Recommendation 25**

The Committee recommends that:

**Response: Accept in principle.**

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

Welsh Government continues to respond to the covid-19 pandemic and ongoing issues following our exit from the European Union. Consequently, this had led to further temporary redeployments of officials to support these priority areas in 2021, including the Marine biodiversity and conservation branch who are delivering the MCZ designation program.

However, I remain committed to this Programme of work and significant progress has been made on pre-consultation documents ahead of an engagement exercise which is expected to launch imminently.

### **Recommendation 26**

The Committee recommends that:

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

**Response: Accept in Principle**

The increase in marine evidence gathering and data sharing, to the scale necessary to respond to the anticipated increase in marine renewable energy development, is being considered through an end-to-end review of evidence capacity, resource and

resilience across the Marine & Fisheries Division. An update will be provided when that process concludes.

**Financial Implications** – The costs for the review will be drawn from existing budgets, however delivery of such a programme of work will require extensive financial and staff support, the scale of which is currently unknown.

### **Recommendation 27**

The Committee recommends that:

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

### **Response: Accept**

The updated Programme for Government restates our commitment to work towards the establishment of an Environmental Governance Body.

To date, Welsh Government has established interim measures. The Interim Assessor was appointed in January 2020 to consider concerns about the functioning of environmental law. Guidance on the environmental principles has been produced to ensure the principles are incorporated into policy and decision making across Welsh Government. The interim measures will allow us to test our approach to the handling of concerns about environmental law and consider the benefits of such measures in identifying trends in environmental law.

Officials have continued work on the development of a permanent approach to environmental governance in Wales. This work has been undertaken in line with the Task Group recommendation that a Commission model be used for a new body and includes consideration of its functions, staffing, and financial requirements. The permanent approach will be subject to further engagement with stakeholders.

Officials have undertaken initial work to assess the costs associated with setting up and maintaining a new environmental governance body. Such consideration has included a comparative analysis of similarly-sized and constituted bodies across the UK. This will be updated as data becomes available from other similar bodies and also the work of our Interim Assessor.

The draft budget covers 3 years. For 23/24 and 24/25 these are indicative figures.

### **Recommendation 28**

The Committee recommends that:

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

**Response: Accept**

Effective monitoring and evaluation will be an integral element of all our programmes and initiatives to tackle the nature emergency. We will build on current provision within the Environment and Rural Affairs Monitoring and Modelling Programme (ERAMMP) and its successor.

Welsh Government is also working with Natural Resources Wales (NRW) to develop a robust and innovative approach to the monitoring of our designated sites and network. This includes working with partners and the Joint Nature Conservation Committee (JNCC) to pilot the use of very high frequency and very high resolution earth observation data for monitoring across all our natural resources.

Funding is also being provided to the Local Environment Record Centres (LERC's) to support citizen science and the voluntary eNGO sector in the collection of data.

## **Recommendation 29**

The Committee recommends that:

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

**Response: Accept in Principle**

The deep dive will focus on the effective implementation of the *Convention on Biological Diversity Global Biodiversity Framework 30 by 30 Target*.

*'Ensure that at least 30 per cent globally of land areas and of sea areas, especially areas of particular importance for biodiversity and its contributions to people, are conserved through effectively and equitably managed, ecologically representative and well-connected systems of protected areas and other effective area-based conservation measures, and integrated into the wider landscapes and seascapes.'*

Terms of reference for the biodiversity deep dive will be confirmed by the stakeholder group once the process is initiated, and they have held their inaugural meeting. The Welsh Government will then publish the terms of reference, which can be shared with CCEI at that point.

The deep dive will be initiated after the February half term with a view to completing the in depth discussions in May. A Written Statement will be published containing recommendations following the conclusion of the deep dive.

### **Recommendation 30**

The Committee recommends that:

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

#### **Response: Accept**

Welsh Government is committed to achieving the 30 by 30 target, to designate 30% of land and ocean by 2030.

Achieving the 30 by 30 target will require more than designation alone, the marine and terrestrial areas covered will also need to be effectively managed, ecologically representative and part of well-connected systems.

Officials have been working with other UK counterparts through the Four Countries Biodiversity Group and JNCC to develop a common set of principles.

Officials have held meetings with eNGOs and conservation scientists to discuss the proposed approach which was broadly welcomed.

As noted in recommendation 29, the biodiversity deep dive will focus on how best we achieve this target by the end the decade, what the challenges are and how we overcome these.

Statutory targets will require a legislative vehicle. The future legislative programme will be announced by the First Minister in due course.

### **Recommendation 31**

The Committee recommends that:

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

#### **Response: Accept**

The Deputy Minister for Climate Change met with Sir David Henshaw, in November of last year, to discuss the work of the Green Recovery Group, which he Chairs. During the meeting Sir David outlined the National Nature Service proposals instigated by the Food Farming and Countryside Commission and the WCVA. It was agreed that Sir David and his Group liaise with Welsh Government officials to work up a more detailed plan for the National Nature Service, setting a vision for the future for Wales and “landing” the pilot areas.

The National Nature Service has the potential to positively contribute to the development of Green Skills, as a key enabler for net zero, by linking people of all ages with opportunities for nature-based training, apprenticeships, employment, enterprise and volunteering. The Service is intended to focus on up-skilling the workforce through practical action and stimulating the creation of green jobs for the economy of the future. As such, it could be a useful contributor towards delivering our Young Persons Guarantee to give everyone under 25 the offer of work, education, training, or self-employment. Under *Net Zero Wales*, the Welsh Government is developing a Net Zero Wales Skills Action Plan. A “Team Wales approach”, is proposed, and we will be working closely with stakeholders in its development.

The Food Farming and Countryside Commission and the WCVA have recently sent further information, setting out their proposals for a pilot of the National Nature Service in the Valleys Regional Park area. Welsh Government officials, across government, are working closely with the Green Recovery Task & Finish Group and the Food, Farming & Countryside Commission and WCVA on the detail around some remaining points, including governance options. Advice will then be sent to the Deputy Minister for his consideration. The Committee will be informed of the result.

### **Recommendation 32**

The Committee recommends that:

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

### **Response: Accept**

Three recommendations of the deep dive have been completed. The Welsh Government launched the Woodland Investment Grant to fund new woodlands and improvements to existing woodlands in July 2021, with nine projects being selected for funding. A pilot woodland creation planning scheme was opened in September 2021, along with window 11 of the Glastir Woodland Creation Scheme.

28 of the recommendations are ongoing. Details of support for every household in Wales to plant a tree were announced in December 2021. A woodland finance working group has been established to consider models to attract investment in woodland creation, with recommendations currently being considered by Ministers. Work has begun to develop a new woodland creation funding scheme, including discussions with stakeholders to review possible changes to the Glastir scheme. NRW have introduced a new desk based approach to low risk woodland plans to simplify approval of those schemes.

Work on eight recommendations has yet to begin, as resource has been prioritised to delivering the most urgent recommendations.

### **Recommendation 33**

The Committee recommends that:

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

**Response: Accept**

The Woodland Finance Working Group has submitted its recommendations to Ministers. The recommendations will be published in full once they have been considered by Ministers and next steps agreed.

### **Recommendation 34**

The Committee recommends that:

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

**Response: Reject**

While there are 5,000 trees available this March, most of the trees will be available from November. Data will be collected on take up of the scheme, the number of trees planted and the number of people who have engaged with the campaign both directly (including volunteers helping deliver the campaign) and indirectly. Success of the scheme will be judged not only on the number of trees planted but also the effect on people's attitudes towards planting trees as part of the effort to tackle the climate emergency. As the majority of planting is likely to take place next planting season (winter 2022), the report should be in 12 months' time when more meaningful data on the success of the campaign will be available.

### **Recommendation 35**

The Committee recommends that:

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

**Response: Accept in principle.**



Telecommunications policy is not devolved to Wales. Any investment in this area is a matter for the UK Government. Officials are currently undertaking an Open Market Review and public consultation process to understand the number of premises in Wales that will not benefit from commercially driven gigabit broadband rollouts, and consequently the scale and parameters of the public intervention required.

Officials are working with UK Government's Project Gigabit officials on the basis that it is the UK Government that will meet the full cost of connecting all remaining premises in Wales (beyond ongoing delivery under existing Welsh Government schemes). Until the Open Market Review is complete later this year, it is not clear how many premises in Wales will be eligible for subsidised intervention.

A procurement will take place later in the year and will highlight the cost to deliver Project Gigabit in Wales. This information balanced against the funding available from UK Treasury will highlight any potential funding shortfall in delivering gigabit capable broadband to all premises in Wales.

The Welsh Government does not have funding available to pick up any shortfall in funding from a lack of UK funding. Telecommunications policy is not devolved to Wales and therefore, any investment in this area is a matter first and foremost for the UK Government.

The joint UK Government and mobile industry Shared Rural Network project intends to deliver 4G connectivity from all four operators to 80 per cent of the Welsh landmass. At present, and despite numerous requests to the UK Government and industry, we do not have clarity around those areas that will remain unserved by good quality 4G coverage. Only once we have that information will we be able to understand where the gaps are and what further action will be needed.