

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

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



Llywodraeth Cymru
Welsh Government

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Llŷr Gruffydd MS
Chair
Climate Change, Environment and Infrastructure Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

1 March 2024

Dear Llŷr,

Thank you for the Climate Change, Environment and Infrastructure Committee's report on its Scrutiny of the Government's Draft Budget 2024 – 25. We are grateful for the Committee's work on this. Please find attached the Welsh Government's response.

Yours sincerely,

Julie James AS/MS
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Minister for Climate Change

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

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Gohebiaeth.Julie.James@llyw.cymru
Correspondence.Julie.James@gov.wales
Gohebiaeth.Lee.Waters@llyw.cymru
Correspondence.Lee.Waters@gov.wales

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

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.

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.

Response to Climate Change, Environment and Infrastructure Committee’s report on its Scrutiny of the Government’s Draft Budget 2024 – 25

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Transport

Recommendation 1

The Minister should explain the discrepancy between the written evidence of £150 million reallocated and the TfW revenue Budget Expenditure Limit (BEL) of £110.8 million, specifying where the approximately £40 is held, and how / when it will be used

Response: Accept

TfW's initial cost estimate received last summer indicated a gap with last year's published indicative budget of approximately £150m. In light of the cross-WG budget challenge, we have since worked closely with TfW to manage this gap including a review of both costs and revenues which has resulted in a reduction in their budget requirement of £11m. In addition, we expect additional revenue from other income next year to increase by around £19m including a change in the process of allocating and estimating the funding from the UK Government to operate, maintain, and renew the CVL infrastructure agreed at the time of transfer of the ownership of this infrastructure. The final value of these income streams will not be known until next financial year. However, given the uncertainty and the ongoing budget pressure, we continue to work with TfW to identify options to further reduce costs and increase revenues over the coming months.

Recommendation 2

The Minister should outline a clear and detailed plan, including timelines, for reducing the gap between rail costs and farebox revenue in the context of changing passenger use patterns and high inflation. This plan should articulate when additional funding provided to TfW will no longer be necessary.

Response: Reject

It is likely that rail services in Wales will always be dependent on a certain level of public funding, however it is a priority for the Welsh Government and Transport for Wales to reduce this level of subsidy to a sustainable level. Patronage and passenger revenue are recovering with longer distance services busier than pre-pandemic averages, with Sundays in particular seeing growth. This is beginning to reduce the gap between costs and income, and we are also working closely with Transport for Wales on a range of rail affordability measures to further reduce the gap.

It is not currently possible to set a date when additional funding above the subsidy level set in 2018 will no longer be required. This is due to the continuing change in passenger demand and usage of rail services compared to those planned for in 2018. The rail affordability measures Transport for Wales are delivering will be included in their business plan which we will monitor via existing governance processes and enhanced mechanisms.

Recommendation 3.

The Minister should provide assurance that appropriate controls are in place to manage the delivery of the Metro project and the replacement of rolling stock.

Response: Accept

The committee can be assured that there are several layers of governance overseeing the Core Valley Lines Transformation Programme, the wider South Wales Metro programme, and our rolling stock investment. Welsh Government officials are engaged in the detail of schemes through direct engagement with delivery teams, as well as routine strategic oversight at a senior level.

Transport for Wales utilise a specifically developed reporting system which provides safety, cost, programme, performance and risk information direct from the delivery projects to support monthly director level reviews. The complex engineering and delivery programme integration between new infrastructure and new rolling stock testing is monitored daily with multiple contributing organisations and disciplines, to ensure that any challenges in the fleet introduction programme are resolved quickly. We have been working hard with Transport for Wales to increase accountability, scrutiny, and importantly transparency. New forums and reports have been introduced to share and publish information. This is particularly important in the context of increasing responsibilities and budgets.

We are now entering the final phases of the Core Valley Lines transformation, and the majority of the new rolling stock is now delivered.

Recommendation 4.

The Minister should update the Committee on the introduction of rolling stock, including the total number of trains on order of each type, where each will operate, how many have been delivered and the planned phasing for the remainder.

Response: Accept

The table below summarises the current position for rolling stock ordered for the current franchise:

Class of Train	Delivered	Awaiting	Total	Total delivered %	In daily service	In service %
230	5	0	5	100%	2	40%
231	11	0	11	100%	8	73%
756	24	0	24	100%	0	0%
398	14	22	36	39%	0	0%
197	43	34	77	56%	32	42%
Mark 4	7	0	7	100%	4	57%
Total	104	56	160	65%	46	29%
Trains required for average weekday services				111		
Percentage of trains in service which are new				41.4%		

Mark 4s and Class 197s are inter-regional trains operating longer main line services. Class 197s can be operated on any of the Wales & Borders services and will all be available for service by mid-2025. They currently operate on inter-regional services and on the Wrexham-Bidston Line. Class 230s operate exclusively on the Wrexham-Bidston Line.

Class 231s operate on the Rhymney Line to Penarth. These will be reassigned to wider South Wales Metro area services in the future. Class 756 trains and Class 398 tram-trains will operate on the Core Valley Lines and are dependent on overhead electrification. There will be phased introduction from mid-2024, ending in mid-2025.

Recommendation 5.

The Minister should ensure that TfW and local authorities are engaging effectively with passengers and other citizens to better explain the vision of a multi-modal public transport system and the process that is being taken to achieve that.

Response: Accept

Transport for Wales are supporting Local Authorities and Corporate Joint Committees in developing their Regional Transport Development Plans (RTPs) which will set out each region's vision for a multi-modal integrated transport plan. This will involve engagement with all citizens (passengers and non-passengers) to understand their priorities and how we can make our public transport as safe, accessible and welcoming as possible.

Recommendation 6.

The Minister should set out what work has been undertaken to assess the impact of the allocations in the 2024-25 budget on bus service levels considering the broadly flat revenue budget and the effects of inflation.

Response: Reject

It is the legal duty of local authorities to secure appropriate passenger transport. The vast majority of local authorities supplement the revenue support from Welsh Government with their own funds. It is therefore not possible to assess the impact of our budget on bus service levels.

The budget allocation for this year will mean that over £115m will directly support the provision of bus services.

Recommendation 7.

The Minister should provide further information on the change of approach to bus funding, including details of the new Bus Ancillary funding stream and its purpose, as

well as how this differs from each of the discontinued funding streams giving the benefit in each case.

Response: Accept

This was an administrative change amalgamating various smaller budget lines. This change will allow us to manage the budget more dynamically. I will be happy to set out the detail of this following publication of the final budget.

Recommendation 8.

The Minister should publish guidance for local authorities on the operation of the Bus Network Support Grant.

Response: Accept

Officials are presently finalising the Bus Network Grant (BNG) guidance and conditions for Lead Authorities to use in securing bus services through their statutory duties and in administering the scheme with local authorities in their region. This will be provided as annexed schedules within the grant award letters that will be issued to Lead Authorities before the commencement of the new scheme.

Recommendation 9.

The Minister should clarify the criteria for allocating the Bus Network Support Grant and how it will interact with the existing Bus Services Support Grant. The Minister should update the Committee on the operation of the grant within the next six months.

Response: Accept

Officials have had a number of discussions with ATCO and WLGA to determine and agree the allocation of BNG across all regions which was accepted at the WLGA executive board meeting that was held on 19 January 2024.

Officials have already had a number of discussions with bus industry stakeholders including trade associations, local authority transport representatives (ATCO) and the Welsh Local Government Association to explain the interaction between BNG and the existing Bus Services Support grant (BSSG). BNG will be introduced as a mechanism to fund local authorities to secure socially necessary bus services that will not be provided commercially when the BTF scheme comes to an end on 31 March 2024 and over and above what is already provided through BSSG. BNG will run for FY2024 – 2025 whilst a review of BSSG takes place due to the complexity of the scheme, with the aim of combining both schemes into one from 1 April 2025, acting as a bridge to franchising. It will also provide local authorities with greater control to plan bus services in their regions as well as bringing stability to bus networks across Wales.

Recommendation 10.

The Minister should provide details on the progress of cross-government efforts to address transport barriers that young people face in accessing education and employment.

Response: Accept

Enabling more children to walk, scoot and cycle to school is a key priority for the Welsh Government. All local authorities must plan networks of walking and cycling routes, and we have made it a condition that all schools must be served by active travel routes. We are also encouraging local authorities across Wales to introduce School Streets, which involve road closures around schools at the start and end of the school day.

We are making roads safer and more welcoming for children to walk, cycle, and to play out, by setting speed limits on streets in built up areas to 20mph as a default – but giving Councils the ability to exempt roads.

One of the key aims of the Welsh Government's Transport Strategy, Llwybr Newydd, is to reduce the cost of sustainable travel for everyone in Wales, including young people, and we are currently looking at a range of options to make travel by public transport and active travel choices easier and more affordable for all in the community. However the challenging budget position means we have had to prioritise funding to ensure essential services are maintained whilst keeping fares as low as possible

Recommendation 11.

The Minister should provide an update to the Committee on efforts to address local government capacity and capability issues in relation to active travel. The Minister should set out what actions are being taken to encourage local authorities to increase collaboration to maximise capacity.

Response: Accept

CJCs will work collaboratively with TfW to include their Active Travel priorities within their Regional Transport Plan and Strategic Development Plan to ensure that active travel is integrated with other transport modes in future planning and delivery of transport services.

Recommendation 12.

The Minister should clarify whether the allocated funding for active travel will be sufficient to fund proposed schemes and, if not, what criteria will be used for prioritising these schemes.

Response: Accept

The majority of funding from the Active Travel Fund is allocated on the basis of a competitive application process, with the strongest applications being awarded funding. The application guidance and scoring criteria were issued to local authorities in December 2023, after local authorities received the outputs from the route prioritisation tool in October.

Recommendation 13

The Minister should provide an update within the next six months on progress taking forward the recommendations from the Cross-Party Group on Active Travel.

Response: Accept

We will provide an update before summer recess.

Recommendation 14.

The Minister should clarify whether funding has been allocated to local authorities for the promotion of active travel as per their new duties under the Air Quality and Soundscapes Act.

Response: Accept

There has been no funding allocation to local authorities specifically for their new duties under this Act, which will come into force by the end of 2024 when the relevant provisions will be commenced. Before then, we will develop statutory guidance, in consultation with local authorities.

Recommendation 15.

The Deputy Minister should provide further details on plans for encouraging electric bike use, including whether innovative financing opportunities have been explored.

Response: Accept

We have extended funding for the E-move project and the 'Seeing cycling differently' projects until the end of the 2023-24 financial year and both schemes continue to gather monitoring data which provides valuable insights on the use of e-cycles and e-cargocycles. Sustrans, who deliver E-move, are in discussions with a range of organisations to discuss the best options to enable continued beneficial use of the fleet cycles. Planned work on setting up an interest free e-bike purchase loan scheme, using Financial Transactions Capital has had to be put on hold due to budget pressures that meant that scheme administration costs could not be funded.

Recommendation 16.

The Minister should provide a breakdown of the Bus Capital BEL and active travel funding, including the spend per capita. We ask that a five-year time series be provided for each as in past years.

Response: Accept

We will provide a breakdown of the Active Travel capital funding in May 2024.

Recommendation 17.

The Minister should clarify how the sustainable transport hierarchy is reflected in budget allocations, both in terms of the budget process and the specific funding levels allocated to each level.

Response: Accept

The Wales Transport Strategy prioritises making best use of existing transport infrastructure by maintaining and managing it well and adapting it to climate change and more sustainable transport choices. When new infrastructure is required, we will give priority to interventions that support walking and cycling, public transport and ultra-low emissions vehicles over other private motor vehicles.

The hierarchy is used to guide decisions on the projects Welsh Government takes forward or supports. This does not necessarily mean that funding will be allocated in proportion to the hierarchy because different interventions have different costs. For example, one new rail investment project may cost many times the amount of maintaining existing infrastructure.

Biodiversity

Recommendation 18.

Should the Welsh Government's financial circumstances improve, the Minister should consider increasing the budget allocation for 2024- 25 to expand and scale up the Nature Network Programme.

Response: Accept

If additional funding were to become available, I will consider increasing the budget allocation for the Nature Networks Programme in line with the biodiversity deep dive recommendation to increase the scale and pace of delivery to help meet our 30x30 target.

Given the pressures on the public purse we will continue to explore the opportunities for additional funding from other sources to support our nature recovery ambitions.

We will also look to align capital investment where there are shared outcomes such as the Teifi catchment proposal which has the potential to deliver multiple outcomes.

Recommendation 19.

The Minister should commit to ensuring the revised Nature Recovery Action Plan is costed to support strategic public investment in nature, enhance transparency and support scrutiny.

Response: Accept in principle

Developing costed long term actions are challenging given inflationary price pressures. I am, however, willing to consider costing the strategic short term actions.

The plan will demonstrate, however, how 'Team Wales' will collectively take action to address the priorities and actions contained in the plan and will be regularly reviewed as part of the governance arrangements.

Alongside the biodiversity target development work we will be refreshing the Nature Recovery Action Plan to reflect these emerging targets and will constitute our strategy and action plan in response to the targets agreed as part of the Global Biodiversity Framework. A suite of indicators will also be developed to monitor progress.

Recommendation 20.

The Minister should explain how she is working in collaboration with the Minister for Rural Affairs to maximise the impact of limited funds for biodiversity, including through the proposed Sustainable Development Scheme.

Response: Accept

I work closely with cabinet colleagues including the Minister for Rural Affairs to ensure biodiversity is integrated into decision making across cabinet to make sure we are meeting our PfG commitment to tackle the climate and nature emergencies.

The Sustainable Farming Scheme (SFS) will be key in delivering our ambitions in relation to 30x30 and nature emergency, especially through optional and collaborative elements. We have included proposals in the Universal Layer of SFS that 10% of each farm will be managed as habitat which will also benefit a wide range of species.

Following the closure of the current consultation, I along with officials will continue to work closely with the Minister for Rural Affairs and colleagues including NRW to ensure SFS delivers for biodiversity when launched in 2025 and through the transition period as the scheme further develops.

Recommendation 21.

Within six months of the publication of this report, the Minister should report to the Committee on progress made towards developing an innovative and sustainable finance model to deliver nature recovery. This should include the draft guiding principles for responsible private investment to support nature recovery.

Response: Accept

I will report to the Committee on the progress made towards developing a sustainable delivery model for nature recovery in six months, including the draft principles. Increasing the scale and pace of action to tackle biodiversity loss and meet global goals by 2030 will require diversifying available funding. I will continue to work with stakeholders to identify opportunities for additional funding that avoids greenwashing, and reflects a values led, high-integrity market for responsible investment that helps deliver positive, social, economic, environmental and cultural well-being of Wales.

Recommendation 22.

The Minister should commit to ensuring the innovative and sustainable finance model is finalised ahead of the budget planning process for 2025-26 and used to inform spending decisions.

Response: Accept in principle

The sustainable delivery model is an important part of scaling up the pace of delivery for nature recovery, however, its focus is primarily on looking at funding additional to that provided by the public sector, My officials, alongside the environmental sector, have, however, been working with Welsh Treasury and the Business Improvement

Advisory Group (BIAG) to ensure biodiversity has been included in the latest Welsh Treasury Business Improvement Plan under Prevention alongside Climate change. This will ensure biodiversity is better integrated into Budget Planning and used to inform spending decisions.

Recommendation 23.

The Minister should clarify how much funding has been allocated in the draft budget 2024-25 to support the delivery of the Biodiversity Deep Dive recommendations and actions and commit to publishing the second biannual update on progress towards delivering the recommendations and actions before the end of February 2024.

Response: Accept

It is difficult to provide a specific allocation but circa £19m has been allocated to continue to deliver initiatives that support the delivery of the recommendations such as the Nature Networks, Marine Protected Area and National Peatlands Action Programmes, LIFE projects and Natur am Byth. We have also provided funding for Local Nature Partnerships and through the Coastal Capacity Building scheme to support local action.

Funding allocated to other divisions also support the delivery of the recommendations for example through Local Places for Nature and support for farmers through the Habitat Wales scheme.

A further £500k has been allocated to continue the work of the biodiversity taskforce whose aim is to coordinate the PfG commitment of mainstreaming decision making across government and with partners for the benefit of biodiversity.

Some of the recommendations have not required specific funding to be allocated to them but are being taken forward. For example the development of legally binding targets for biodiversity and refreshing the Nature Recovery Action Plan and implementing the policy protection afforded to SSSIs through Planning Policy Wales.

I am committed to publishing the second biannual update, however due to resource pressures on developing and publishing the white paper on targets it will now be published in March 2024.

Marine

Recommendation 24.

The Minister should reassure the Committee that the reduction in revenue funding from £1.9 million to £1.7 million will not adversely impact critical marine policy areas, particularly ongoing projects such as the "Assessing Welsh fishing activities in MPAs" project.

Response: Accept

Funding across marine programmes has been prioritised to ensure that critical delivery of existing programmes is not impacted by the reduced budget allocation this year. I can confirm that funding, equivalent to that of last year, has once again been allocated to the Assessing Welsh Fishing Activities (AWFA) project, for the next round of assessments.

Recommendation 25

The Minister should provide details regarding alternative funding streams and partnership opportunities being explored to mitigate the impact of the £250,000 budget reduction. This should include specific strategies for funding projects in crucial areas like seagrass conservation.

Response: Accept

Alternative funding mechanisms are available including the Nature Networks Fund which seeks proposals to improve the condition of the MPA network. The MPA Management Grant Scheme is, similarly, a mechanism inviting proposals which improve the resilience and management of the network. Key stakeholders involved in seagrass conservation have been made aware of these schemes. Furthermore, the Coasts and Seas Partnership are developing a voluntary funding mechanism, the Marine Resilience and Improvement of Natural Ecosystems (MARINE) Fund Cymru to support both ecologic and socio-economic actions to improve the resilience of the marine environment.

Recommendation 26.

The Minister should reiterate the commitment to the Marine Conservation Zone (MCZ) designation programme and confirm that the latest budget allocations will not hinder the progress of the formal consultation on proposed MCZ sites scheduled for Spring 2024.

Response: Accept

I remain committed to the delivery of the Marine Conservation Zone designation programme. Officials continue to develop and assess recommendations for potential future sites that will meet the habitat shortfalls in our network. Budget allocations will

not impact on this project, however, timescales for consultation have been delayed to winter this year.

Recommendation 27.

The Minister should provide a clear and detailed timetable for delivering regulatory impact assessments and site location decisions for completing the Marine Protected Area (MPA) network.

Response: Accept

An invitation to tender will be released this month to deliver a regulatory impact assessment for proposed sites. This assessment will comprise a critical component of final recommendations for proposed sites to be taken forward for consultation in winter this year.

Recommendation 28.

The Minister should explain how she is working in collaboration with the Minister for Rural Affairs to maximise the impact of limited funds for marine policies, particularly through allocations for fisheries and associated matters.

Response: Accept

I have worked in close collaboration with the Minister for Rural Affairs to maximise the impact of fisheries funding on the marine environment. This includes the Wales Marine and Fisheries Scheme which provides funding for both fisheries and the marine environment. For example, the Coastal Capacity Building Fund as part of this scheme is providing around £1m to support involvement of local communities in managing the marine environment.

Decarbonisation of Housing

Recommendation 29.

The Minister should explain the expected outcomes from the £35m capital investment in the Warm Homes Programme for 2024-25, including a projection of the number of homes that will benefit from energy efficiency measures.

Response: Accept

The budget allocation for the Warm Homes Programme in 2024-25 is £30m for the new demand-led scheme and £5m of grants to local authorities for remedial works related to historic schemes. The £30m will help us deliver the scheme's twin objectives of tackling fuel poverty and the climate emergency by assisting those least able to pay to respond to the cost-of-living crisis and ensuring a just and affordable transition to low carbon homes. The number of homes treated will depend on the mix of properties that applicants bring forward for support and consequently the complexity of measures recommended. However, our estimate is for 1,500 low-income households to benefit per annum.

There will be significant positive outcomes for individuals because of this programme. We are seeking an aggregate total of £45 million reduction in energy bills over the lifetime of the programme. It is anticipated that the energy efficiency improvements will also enable households in fuel poverty to heat their homes to a more comfortable level and in addition to thermal comfort, warmer and dryer homes will bring health benefits to residents.

We also expect to see significant benefits to society because of the reduction in carbon emissions, modelled at over 2 million tonnes over the lifetime of the programme. Installers and manufacturers of low carbon technologies will also benefit, as the contract with the delivery agent requires the use of installers based in Wales. This will bring more income for these local trades and will generate the need for more skilled workers within these businesses. This additional revenue for the local trades is likely to be spent locally, further spreading the positive impacts of the scheme. Supporting the installation of low carbon technologies will build the supply chain which will be crucial in the wider transition to a low carbon economy.

Recommendation 30.

The Minister should provide an indicative timeline for the development of a fully costed plan for decarbonising existing social housing stock.

Response: Accept in principle

Progress has been made under the Optimised Retrofit Programme (ORP), to understand how to retrofit the Welsh social housing stock in the most efficient and cost-effective way. Providing an accurate cost however is challenging as social housing in Wales is diverse and therefore it would be naïve to apply a one size fits all

approach. Building on the progress from the ORP, the Welsh Housing Quality Standard 2023 launched last October with additional requirements for all social landlords in Wales to undertake Whole Stock Assessments and create Targeted Energy Pathways for each home by 31 March 2027. This was introduced to provide a more accurate understanding of the work to be completed to decarbonise the existing social housing stock and for a costed and planned approach for all existing social housing to meet EPC A.

The difficulty in providing an accurate depiction of costs is further exacerbated by the difficulties social landlords are having in procuring appropriate suppliers of products & services especially those accredited to the appropriate standards. Through ORP, we are currently working with social landlords to understand the true costs, the ease of access of supply chains and the availability of skilled professionals to undertake the work.

To understand the scale of the challenge, every angle needs to be understood and factored including landlords' ability to access finance to help undertake the work. Welsh Government intervention will only represent part of the solution to decarbonisation of social housing. Working in partnership with a number of local authorities and registered social landlords, a task and finish group is exploring the financing options available social landlords, including financial models, piloting options and knowledge share.

Recommendation 31.

The Minister should report back to the Committee on: Scrutiny of the Welsh Government Draft Budget 2023-24

- the findings of the review of the distribution of Optimised Retrofit Programme funding; and
- progress towards agreeing a long-term funding approach to support the social housing sector to decarbonise.

Response: Accept

Early feedback from social landlords and Welsh Government Officials is positive about the operation of the current iteration of the Optimised Retrofit Programme (ORP). In particular, that it promotes equality and inclusivity especially since the move to a stock-based system as opposed to a competitive bidding process. Preliminary evidence suggests that many of those social landlords that were on the beginning of their decarbonisation journey at the start of ORP have accelerated to similar levels and at times match those that have been on the journey longer. Officials continue to assess the current round of ORP, through the revised distribution mechanism and are looking at methods to improve the distribution of funds in the 24-25 financial year in particular to enable funds to be distributed as early as possible in the year.

Officials will begin to review the outcomes in depth in the 24-25 financial year. To date significant quantitative and qualitative data has been and continues to be gathered by the team. This information should lay a solid foundation to understand

what is needed next and when combined with the Route Map for Residential Decarbonisation being drafted by the Decarbonisation Implementation Group should help set a clear strategy and pathway forward.

The Net Zero Carbon Hwb (<https://zerocarbonhwb.cymru/>) has been recently launched which includes a dedicated finance workstream to help understand and steer potential funding approaches for the decarbonisation of the social housing sector. This combined with the task and finish group mentioned above in recommendation 30, should help analyse and understand the funding options available. A long-term funding approach however is not solely for Welsh Government, this is for social landlords to truly understand their stock and create financial plans based on the enabling information and tools provided including those provided by Welsh Government.

The Hwb has a number of workstreams including Net Zero Skills, supply chain and a policy forum. The Hwb online community made up of members of staff from Local Authorities, Registered Social Landlords and Welsh Government is scheduled to launch in April. Its focus is to share lessons learnt.

Recommendation 32.

The Minister should explain how the Welsh Government is engaging with the ‘able-to-pay’ sector to actively encourage householders to retrofit their homes.

Response: Accept

It has been no secret that to date Welsh Government has targeted the decarbonisation of socially owned homes in the first instance, agreeing to prioritise investment in social housing through the funding made available to social landlords through the Optimised Retrofit Programme (ORP).

Our Warm Homes Programme focuses on households who are least able to pay for improvements themselves in the owner-occupier, private rented and housing co-operative sectors. We are on track to launch our new Warm Homes Programme on 1 April. The new scheme will continue to be our primary mechanism for tackling fuel poverty and also serve the objective of reducing the climate impacts of our housing stock. All households in Wales, not just those in, or at risk of fuel poverty, will continue to be eligible to access the new programme for advice and support on how best to fund these measures. Welsh Government recognise householders require good quality and trusted advice to undertake their decarbonisation journey and we believe to maintain confidence in the advice provided, it is important for the advice afforded under the Warm Homes Programme be independent from any installations undertaken by the scheme.

As noted below in recommendation 33, we are also in the process of developing a ‘test and learn’ pilot with Development Bank of Wales which will target the ‘able to pay’ sector that we hope to have operational in the 24-25 financial year.

The Public Domain area of the recently launched Net Zero Carbon Hwb offers insights in to case studies Owner Occupiers can view to help understand retrofit activities.

The Decarbonisation Implementation Group have been challenged to create a 'Route Map for the decarbonisation of all existing homes in Wales' including the 'able to pay' sector. This should set out ambitious targets, innovative solutions, and an action plan for Welsh Government to consider.

The Route Map along with the learnings from ORP should enable a future policy programme and costings to be developed to engage with the 'able to pay' sector and normalise the requirement to ensure Welsh homes are healthy and of good quality.

Recommendation 33.

The Minister should: ▪ clarify the level of funding available for 2024-25 to support the 'test and learn' pilot scheme for able-to-pay owner occupiers; and ▪ provide further details of the pilot scheme, including its duration and how the outcomes of the scheme will be monitored and evaluated.

Response: Accept in principle

The Scheme including its evaluation and monitoring criteria are currently in development however the final iteration has not been agreed or finalised until the funding situation is clear. This is to recognise that staffing resources are limited and need to be prioritised on the right things at the right time. Should the funding bid be successful, further details of the scheme will be published.

We are currently undertaking internal finance discussions to understand the complete requirements and the possible composition of this pilot scheme. It will also be subject to final budget allocations and a successful FTC bid. This pilot will be delivered by the Development Bank for Wales in partnership with Welsh Government. FTC funding is valid for one financial year however subsequent bids can be made for future years.

Renewable Energy

Recommendation 34.

The Minister should:

- provide details of work undertaken by the Welsh Government to assess short and medium-term investment needs for the delivery of its new renewable energy targets; and
- explain how these targets have influenced the draft budget 2024-25 allocations.

Response: Accept

Our work implementing the recommendations from the Renewable Energy Deep Dive and embedding the actions into our work across government will support the action needed to reach our targets. The area planning work is underway and evidence from this work will provide further clarification on how to decarbonise energy generation in Wales. With Awel y Mor having now received its consent, this will contribute towards our targets. We are working with developers across all technologies to deliver sustainable energy for communities in Wales. We are working with stakeholders to continuously improve our consenting regimes.

Recommendation 35.

The Minister should explain how she is working in collaboration with the Minister for the Economy to build skills and expertise within the workforce to support the delivery of the new renewable energy targets.

Response: Accept

Net Zero Skills Action Plan for Wales has provided an overarching framework to deliver the skills required to support the opportunities we have in Wales. We are working closely with the schools, Universities, Colleges, and industry to ensure we have the skills we need for the renewable energy sector. The Regional Skills Partnerships which operate across the 4 regions of Wales, provide invaluable insight into the skills required across Wales.

Recommendation 36.

The Minister should provide further details of the aims of Trydan Gwyrdd Cymru; its short, medium, and long-term objectives; and operational arrangements between the company and the Welsh Government.

Response: Accept

Trydan Gwyrdd Cymru will be launched in April 2024. Its purpose is to retain as much as possible of the economic and social benefits of renewable developments on

Welsh public land, which can be used to deliver for the people of Wales. Initial priorities will be around establishing a pipeline of potential projects. We will publish more information once the body is launched.

Recommendation 37.

The Minister should clarify: ▪ the revenue allocation in the draft budget 2024-25 to support the work of Trydan Gwyrdd Cymru; and ▪ which BEL the £4.5m capital allocation for Trydan Gwyrdd Cymru sits within, and what outputs this allocation is expected to deliver.

Response: Accept

The allocation in 2024-25 will be finalised closer to the company's launch. The capital allocation sits in BEL 2809. The funding will support development of renewable energy projects.

Recommendation 38.

The Minister should ensure that, for future draft budgets, Trydan Gwyrdd Cymru has a separate BEL (in line with the approach taken for Ynni Cymru and the Welsh Government Energy Service) to improve transparency and support scrutiny.

Response: Accept in principle

Trydan Gwyrdd Cymru is one of several mechanisms through which the Welsh Government is supporting the deployment of renewable generation. Project development depends on several variables outside the Welsh Government's control. The current structure allows flexibility to allocate funding where delivery can best be achieved in any year.

Recommendation 39.

The Minister should provide an update on work to develop funding approaches to ensure Welsh ownership of future large-scale renewable energy projects on the public estate can be retained.

Response: Accept

This work will be progressed by joint working between Welsh Government, Trydan Gwyrdd Cymru and other organisations. Welsh Government will be happy to provide an update, which will follow the establishment of Trydan Gwyrdd Cymru and agreement with the company on the resourcing and timing of this work.

Recommendation 40.

The Minister should clarify what projects/outputs the £10m capital allocation for Ynni Cymru is expected to deliver.

Response: Accept

Ynni Cymru will expand community owned renewable energy and smart local energy systems, which retain the benefits in Wales. Officials are currently developing the business case for Ynni Cymru, to outline its scope, remit, and parameters of work. In conjunction with this they are developing and accessing a pipeline of potential projects for Ynni Cymru to support.

A further update on progress will be provided later in the financial year.

Waste

Recommendation 41.

The Minister should clarify whether grant funding for local authorities for 2024-25 will be maintained to support the delivery of the statutory target of 70% recycling by 2025.

Response: Accept

The allocation of capital funding (£46.853m) to support Local Authorities is informed by engagement with them on the projects they have in development, and the size and timing of their funding needs. We will also be retaining as much as possible of the revenue funding through the Sustainable Waste Management Grant (SWMG) which supports Local Authorities' operational costs to improve their performance. The exact level will be clarified once the final budget breakdown in this area has been determined.

Recommendation 42.

The Minister should explain how the impact of the reduction in revenue and capital allocation for 2024-25 on progress towards waste targets for 2025 (set out in Beyond Recycling) will be monitored.

Response: Reject

The capital funding allocated (£46.853m) is commensurate with our understanding of the funding requirements of the Local Authority projects under development and in delivery for 24-25 and we will be retaining as much as possible of the revenue funding via the Sustainable Waste Management Grant so there will be no significant reduction impacting the delivery of recycling targets to track. Based on the Local Authority plans currently in the pipeline sufficient resources have been allocated for the 2024-25 financial year. We will however continue to monitor delivery by Local Authorities against the statutory minimum targets and the development and delivery of their plans to improve.

Recommendation 43.

Within six months of the publication of this report, the Minister should report back to the Committee on progress towards the development of new statutory recycling targets. Scrutiny of the Welsh Government Draft Budget 2023-24.

Response: Accept in principle

We will continue to update the Committee on progress, including on the work to update the Blueprint where we have already begun to engage with key stakeholders on the approach to the development of future recycling targets

Recommendation 44.

The Minister should provide details of budget allocation for 2024-25 to prepare for the introduction of the Deposit Return Scheme and Extended Producer Responsibility for packaging.

Response: Accept in principle

The Deposit Return Scheme and Extended Producer Responsibility scheme for packaging are both being delivered as joint projects across the UK. As such, the funding for the introduction of the schemes in Wales is part of the wider allocation by HM Treasury from UK funds to DEFRA.

Discussions with DEFRA on the financial implications of the schemes are ongoing, for example around the funding needed for Natural Resources Wales to prepare for its role in regulating the schemes. Welsh Government costs are drawn from existing programme budgets

Recommendation 45.

Within six months of the publication of this report, the Minister should report back to the Committee on progress towards the introduction of the Deposit Return Scheme. This should include whether the DRS remains on track to go live in October 2025.

Response: Accept

Officials continue to work closely with those from the three other nations on the development of the Deposit Return Scheme. Timelines are however in the process of being reviewed following the impact of the UK Internal Market Act decision which halted the DRS scheme from going live in Scotland and has had a knock-on effect with the need to look at the implications to the interoperability of the schemes across the four nations. I will report to the Committee on the outcome of the review and the impact on the go live date as requested.

Recommendation 46.

The Minister should:

- explain how the impact of the reduction in funding for the Landfill Disposals Tax Communities Scheme will be monitored; and
- clarify her position on the future of the Scheme.

Response: Accept

Outputs from the Landfill Disposals Tax Communities Scheme will continue to be monitored by the Wales Council for Voluntary Action who administer the scheme on behalf of Welsh Government. This will include quarterly reporting and a published annual report.

Although we will not be able to open the Landfill Disposals Tax Communities Scheme to new project proposals at the start of the financial year, we are maintaining funding to support existing projects. The budget will be available to support some further projects. I intend to set out our plan for the future of the Scheme which will be informed by an assessment of its impact and engagement with stakeholders.

Natural Resources Wales

Recommendation 47.

The Minister should provide a detailed outline of the next phase of developing Service Level Agreements (SLAs). This should include the areas to be covered and timelines for their implementation.

Response: Reject

As provided by NRW in its evidence to this Committee, it has been jointly agreed that further work on the SLAs has ceased due to focussing on other statutory and Government priorities. However, their expected outcomes, outputs and timelines are captured within agreed WG/NRW Governance Framework processes namely the five year Corporate Plan and the supporting yearly Business Plans. This Framework indicates the Minister's role being to approve the NRW produced Corporate Plan, note implementation activities within the yearly Business Plans and to issue a Term of Government remit letter. Accordingly, details of NRW's delivery areas and timelines for their implementation can be viewed by reference to the publicly available Corporate Plan and Business Plans.

Recommendation 48.

The Minister should engage in further discussions with NRW about the impact of the real-terms reduction in funding on NRW's ability to deliver its services. The Minister should report back to the Committee on the outcomes of these discussions and should include information about the service areas that will be affected.

Response: Accept

The Welsh Government budgetary pressures for 2024-25 are well documented and no organisations are immune to extremely tough budgetary conversations and subsequent decisions.

Welsh Government continues to successfully and positively engage and support NRW as it considers its remit and critically reviews all activities, whilst recognising that delivery of core functions and statutory duties take priority.

Detail on the outcome of NRW's prioritisation exercise will be made available in due course through its 2024-25 Business Plan.

Recommendation 49.

The Minister should update the Committee within the next six months on progress towards restructuring NRW's funding model regarding timber income.

Response: Accept

As the Committee are aware, the volatility of wood prices and buoyancy of the timber sales market hugely influences NRW's ability to manage its finances and consequently limits the range of activities that they can undertake to manage its forestry estate.

Welsh Government continues to work with NRW to explore and develop alternative arrangements which should provide stability to NRW with respect to financing its forestry operations. The intention is to introduce new arrangements for 2024-25 FY.

Once these arrangements have been finalised and agreed, further detail will be shared with the Committee.

Flooding and Water

Recommendation 50.

The Minister should explain how the findings of NRW's report, Long Term Investment Requirement for Flood Defences (January 2024), will be used to help shape future investment decisions concerning flood and risk management.

Response: Accept

We will consider the findings of NRW's LTIR report, alongside other reviews (e.g. the National Infrastructure Commission for Wales Review) which are due to report soon. The findings of these reports will be considered by Welsh Government policy teams, supported by the Flood and Coastal Erosion Committee and Flood Risk Programme Board, to ensure investment is prioritised to minimise the impact of flooding across Wales.

Recommendation 51.

The Minister should explain how the impact of the reduction in revenue allocation on flood risk preparedness and the response to future flood events will be monitored.

Response: Accept

There have been no reductions in revenue allocation made to Risk management Authorities in Wales. The revenue allocation for each Local Authority will remain at £225,000, additionally the revenue allocation for Natural Resources Wales will remain at £24.5M. The challenging financial position and pressures facing all public service across Wales has meant that we have been unable to support the planned £8M revenue uplift to flood and coastal erosion risk management (FCERM) next FY.

Recommendation 52.

The Minister should explain the £22m reduction in capital allocation for 2024-25 for flood risk management and water policy delivery.

Response: Accept

From 2024-25 it has been recognised that, as a significant proportion of FCERM is delivered via National Resources Wales, it would be clearer to show the budget on the NRW BEL. This is a presentational change. Significant progress on delivery of NRW schemes resulted in additional spend being brought forward to the 2023-2024 financial year. The NRW budget for 2024-2025 has therefore been amended as a result to reflect the money that has already been paid.

Recommendation 53.

The Minister should provide a breakdown of the £40m allocation between 2022-2023 and 2024-25 to improve water quality. This should include allocation to date, actions delivered, and details of allocation for 2024-25.

Response: Accept

The breakdown of the £40m allocation is as follows:

2022-2023- £10m

2023-2024- £15m

2024-2025- £15m

The money has been spent on a programme of work targeted at tackling barriers so that we can achieve our duties under the Water Framework Directive of preventing deterioration and improving all water bodies to good status by 2027. Work has been delivered across opportunity catchments, national scale projects, river restoration and protected areas e.g. Special Areas of Conservation (SAC) rivers. The programme for 2024-2025 is due to be agreed imminently.

Environmental Governance

Recommendation 54.

The Minister should:

- clarify the budget allocation for 2024-25 for the Interim Environmental Protection Assessor for Wales's (IEPAW) functions. If the budget does not include a £75,000 uplift, she should explain the reason; and
- commit to ensuring adequate funding for the IEPAW service is made available until such time as the new environmental governance body is established.

Response: Accept

I can confirm that funding of £120,000 has once again been allocated to the Interim Environmental Protection Assessor, for Wales's (IEPAW) functions for 2024-25. The budget continues to include the £75,000 uplift.