

ENVIRONMENT, PLANNING AND TRANSPORT COMMITTEE

Date: Wednesday 19 June 2002
Time: 2.00 to 5.15 pm
Venue: Committee Room 2, National Assembly Building

BUDGET PLANNING ROUND 2002:

ISSUES PAPER FROM THE MINISTER FOR ENVIRONMENT

Introduction

1. This paper begins the Budget Planning process which will:
 - set the budget for 2003-04, and
 - set indicative budgets for 2004-05 and 2005-06
1. It seeks the Committee's views on priorities for Environment, Planning, and Transport, including Sustainable Development and Cadw.

The Process

2. On 22 May, the Minister for Finance, Local Government & Communities issued a commissioning paper on the Budget Planning Round for 2002 to all committees and partners. The paper has subsequently been placed on the Intranet. We hope the commissioning paper will generate a discussion on the general issues that are facing us in the coming round.
3. The next stage is for each Minister to present an 'issues' paper for each Committee to consider, which will seek to focus discussion on the particular issues in the round. This issues paper covers
 - a review of performance in 2001-2002;
 - an analysis of financial pressures for the next 3 years;
 - proposed priorities and targets for the budget planning round.

5. The Budget round aims to

- measure progress and focus on delivery against existing targets, including those in *A Plan for Wales* and *Putting Wales First: A Partnership for the People of Wales*
- continue to test the effectiveness of our existing performance within existing budgets
- identify emerging pressures, and
- look ahead, and provide positive ideas for meeting medium to long term objectives to create a better Wales

6. Responses to the paper from the Committee should be sent to me no later than 16 July. I will then, in turn, and taking into account the Committee's comments, respond to the Minister for Finance, Local Government, and Communities with my budget proposals for the EPT portfolio.

Background

7. As the Minister for Finance, Local Government, and Communities has made clear in the letter to Committee Chairs, which accompanied the commissioning paper, we do not expect to receive large bids for new spending. Although this is a UK Spending Review year, there is every expectation that the Assembly's settlement will be a challenging one, with little or no change in 2003-04 baselines. We have already had the outcome of the Spending Review for the Department of Health and have announced that this additional money will be used for new and better ways for improving health, both by sustaining core services in the NHS and by tackling poverty and under-achievement.
8. As last year, we expect one of the main objectives of this round will be to test the effectiveness of our existing performance and to generate new thinking on how we can meet our long-term aims. Delivery of key existing targets in *A Plan for Wales* and outstanding targets in *Putting Wales First*, together with any subsequent amendments, must be our starting point. By the end of the round we must have a clear vision of the precise targets we aim to meet, how we are going to achieve them, and the resource changes which are necessary to achieve the targets.

9. Review of performance in 2001-2002

Sustainable Development

Last year saw a major change of focus from *development* of the Sustainable Development

Scheme & Action Plan into the *implementation* phase. Work was taken forward on two main aspects:

- integrating sustainable development into the full range of policy work (through individual support to projects and by developing the overall policy integration tool); and
- using the opportunity presented by the uniqueness of our legal Sustainable Development duty to pursue a UK and international lead, with proposals for a European regional network, a partnership with Forum for the Future and planning for the First Minister's attendance at the World Summit on Sustainable Development.

The UK Sustainable Development Commission has acknowledged the Assembly's lead in this area and the first and second annual reports on progress against the Sustainable Development Action Plan were endorsed by the Assembly in May.

Transport

In November we published *The Transport Framework for Wales*. This sets out the context within which the Assembly's decisions relating to transport will be taken in the future. It will also help other transport authorities and operators to make co-ordinated decisions in shaping the transport system by building on the Assembly's key themes of tackling social disadvantage, promoting equality of opportunity and ensuring sustainable development.

We have worked closely with the Strategic Rail Authority to re-start the franchise replacement process. This envisages a 15-year franchise starting in 2003 that will give confidence to the private sector to invest in improved services.

Preparations, including plenary approval, publicity and launch arrangements were made for the introduction of free travel for pensioners and disabled people on local buses in April 2002. Initial feedback is very positive, as recent media coverage indicates initial usage is higher than forecast which may have an impact on budget needs, but it is too early to assess whether this level of usage will be sustained. Consultants have been commissioned to carry out an evaluation of its impact.

PTI Cymru's business plan was approved and a 5-year funding package has been agreed. This provides for information to the public. A Community Transport Review Group was set up by the Welsh Transport Forum to undertake a review of community and unconventional transport services.

A group was established by the Welsh Transport Forum to consider options for a long distance bus and coach strategy to complement the rail network; a potential network of routes has been

identified and consultants will investigate likely patronage.

A draft road safety strategy was put out to public consultation in September 2001, and the final strategy will be published in summer 2002. We have confirmed that the Safe Routes to Schools funding will continue for a further 4 years and funding provided for all local authorities to appoint a Child Pedestrian Training Co-ordinator. We are drafting a cycling and walking strategy for Wales.

The Committee endorsed proposals to invite Transport Grant bids for innovative public transport schemes and projects addressing community regeneration. In January we announced a further £130 million of Transport Grant projects, supporting bids in these new categories, in addition to the 2001 £300 million rolling programme of major rail and road infrastructure schemes. All these activities reflect work towards the vision in the Transport Framework and Plan for Wales 2001.

Following on from *The Transport Framework* we published *The Trunk Road Forward Programme* in March. This is the first review of its kind since devolution and addresses a number of key needs:

- to support the economic aims and growth of Wales;
- to secure environmental improvements for communities;
- to reinforce the links between North and South Wales;
- to ensure trunk roads play an integral part of the overall transport network for Wales.

The Trunk Road Forward Programme sets down the proposals to improve the trunk road network up to 2008 and beyond. The Programme contributes to the aims in *The Plan for Wales: Where We Live* to contribute to the investment in infrastructure to help provide an integrated transport system in Wales.

Planning

We have revised and issued *Planning Policy Wales*, are continuing to review a number of Technical Advice Notes (informed by research), established the Design Commission, planning decisions have speeded up with the Planning Inspectorate hitting all its targets, and have made a start on the *Health and the Planning System* project. The process of establishing the three Regional Waste Planning Groups has started, in line with requirements in the *Waste Planning* Technical Advice Note.

We have issued *Planning: Delivering for Wales* for consultation.

Work on preparing the first Wales Spatial Plan is well under way.

Environmental Protection

A consultation paper was published in January 2002 seeking views on revised financial and administrative arrangements for flood and coastal defence.

Following publication of a draft waste strategy in June 2001 a final Wales Waste Strategy will be published in June 2002.

Ministerial discussions took place with the UK Government about revising the Landfill Tax Credit Scheme, with proposals now out to consultation.

Air quality limit regulations were introduced in July 2001 for sulphur dioxide, nitrogen dioxide, particles PM10 and lead, with consultation in December 2001 on limits for particles, PAHs, benzene and carbon monoxide.

Bathing waters showed increased compliance with European Guideline standards though with some fallback (being investigated by the Environment Agency) in the proportion of beaches meeting mandatory standards. However a record number of beaches in Wales have won Blue Flags this year.

Regulations implementing the EU Drinking Water Directive were approved in December 2001.

Guidance was issued to local authorities on tackling noise pollution in November 2001

Countryside

Significant progress was made on implementing the EU Habitats and Birds directives with the submission of 28 new or updated candidate Special Areas of Conservation, and 3 new Special Protection Areas.

The first two sets of Regulations under the Countryside and Rights of Way Act have been the subject of consultation, and mapping of access land is under way.

In 2001-02 grant support has been offered to over 100 voluntary sector environmental improvement projects and to 60 innovative sustainable development projects through

Environment Wales and the Environment Development Fund.

A Wales Coastal and Maritime Partnership has been established, providing a useful forum for those with an interest in the Welsh coastline to consider policy initiatives.

Cadw

The Committee reviewed Cadw's performance at its meeting on 13 March 2002, when it noted the Corporate Plan for the coming year. The impact of foot and mouth disease meant that the listing and scheduling targets were not achieved, and visitor numbers fell slightly. However, income rose due in part to a successful retail performance, and the conservation maintenance target was met. Pressure on the historic buildings grant budget was acute, and agreement obtained from the Finance Minister to exceed budget at year-end.

10. Financial pressures for the next 3 years

Sustainable development

The work on sustainable development has the potential to offer Wales a leading role internationally and to give a clear integrative policy context domestically. To realise this means:

- pursuing the integration agenda across the organisation and with agents and partners using the integration tool, the external sustainable development forum and the Assembly's role as commissioner and procurer of activity and services;
- building on growing European and international awareness of Wales with the development of the European Sustainable Development Network and supporting the Innovative Actions Projects; and
- renewing the initial scheme and plan as required by the Act and to ensure the lead we have is not overtaken.

The Unit is currently under considerable pressure from its own success. While the Unit will continue to act as an enabler of sustainable development rather than a doer, it will need additional resource to meet the demands of the level of international and domestic opportunity now opening up and which have the prospect of bringing major future benefits and funding.

Transport

The potential need for additional support for the concessionary fares scheme and in order to deliver the rail service enhancements we seek are mentioned before. I have made it clear that investment in public transport is a priority and this has been endorsed by the *EPT Committee's Review of Public Transport Policy* which has identified the need for sustained investment in public transport to secure a step change in reliability and quality of service, together with better organised and delivered community services. It recommended preparation of regional public transport strategies and strengthening of regional consortia.

Action is being taken forward; the five Local Authority regional transport consortia have prepared draft regional bus strategies, and work has started on development of a kitemark and Quality Bus Partnerships. When analysed the strategies should give us a better picture of the potential costs of producing improvements to bus public transport. The regional bus strategies will need funding support, of both capital and revenue costs if they are to deliver improved services. The operation of the consortia themselves needs strengthening with dedicated staff.

The Committee endorsed proposals on 15 May 2002 to invite Transport Grant bids in 2003-04 in support of projects from regional bus strategies, including issues of security, and improvements in provision for cycling and walking. This is in line with the report from the Cabinet Office's Social Exclusion Unit, which highlighted the need for improvements in their report published in May 2002. Additional bids could not be supported from existing baselines.

There is an acknowledged backlog in maintenance and renewal of local highways – the £25 million over 2001-02 and 2002-03 will make a useful start but further resources would be required to bring their condition up to the target standard and reduce the level of avoidable renewal work. This will need to be addressed by local authorities and the Assembly in partnership. We will examine all available data to establish a clear picture of the condition of local authority roads.

The main funding streams are committed in delivering current programmes. To raise the game and address more aspects of transport integration delivering inclusion and accessibility, and improved interchange with bus and rail across the board would require extra funds.

The publication of *The Trunk Road Forward Programme* in March sets down a rolling programme of improvements in 3 phases. The programme generates a rising demand on expenditure and, while all schemes are subject to the completion of statutory consent procedures, the delivery of projects to the timetable shown in the programme is not possible within existing baselines.

Planning

Although planning is not a major consumer of programme budgets, there may be consequential results from taking forward *Planning: Delivering for Wales*. Proposals include expanded Planning Aid, better training for local authority members and improved levels of planning authority staffing. Implementing the Design Initiative could also create pressures. The Design Commission has been established with a small budget. very limited funding

Environmental Protection

Our waste strategy published on 14 June establishes challenging targets for recycling and composting, significantly tougher than the targets set elsewhere in the UK. We have made considerable progress in the last two budget rounds in providing resources to meet these challenges, primarily for local authorities. We attach the highest priority to ensuring that we continue to meet the needs of local authorities to ensure that both our domestic targets and our European obligations are met.

The Autumn 2000 floods drew attention to the potential adverse impact of climate change on flooding and also highlighted many new flooding problems on rivers across Wales. It is expected that increased pressure on existing budgets will occur over the coming three years as operating authorities react to these events. Since the Autumn 2000 floods, much planning and investigative work has been undertaken and it is anticipated that an enhanced programme of flood defence improvement schemes will emerge which will result in calls for increased future financial support from the Assembly.

Historically the Assembly's flood and coastal defence budgets have been underspent. Recent changes to the grant arrangements have simplified procedures and ongoing reviews are expected to result in further simplification. It is anticipated that these changes will facilitate improved delivery of flood and coastal defence improvements which will also result in greater pressure on existing budgets. How effective these changes have been will become apparent over the coming years.

There are continuing pressures on the budget of Environment Agency Wales (and the Agency more generally) primarily in connection with the implementation of EC and other statutory requirements. In addition in Wales there are specific priorities the Agency needs to meet, particularly in relation to its waste functions and responsibilities. These can be expected to create pressure on the Agency's grant in aid provision, though the details and amounts are not clear at this stage.

Countryside

As designation of the terrestrial and inshore network of Natura 2000 sites nears completion, the focus will move on to securing the proper monitoring and management of protected sites and species. There is also growing recognition of the need to establish an effective and comprehensive framework for the sustainable management of the marine environment, which will encompass a new suite of marine Special Protection Areas for birds and, potentially, Marine Sites of Special Scientific Interest under proposed primary legislation. A distinctive Welsh approach to biodiversity is being developed and the Committee are considering some of the mechanisms for taking this forward in their forthcoming policy review.

If progress to full implementation of the CROW Act is to be achieved, then important building blocks in the form of further regulations and mapping consultations need to be undertaken, and preparations begun for co-ordination of the launch of the new access provisions. This will require activity by, and partnership between, the Assembly, CCW, local authorities and the National Parks.

There is considerable scope for expansion of the successful project approach supported by the Environment Wales and Environment Development Fund grant schemes if additional resources were available.

Cadw

Cadw's net programme budget in 2002-03 is £6.9 million. In addition, Cadw can use receipts from trading activity to supplement this sum, and receipts normally amount to around £3.5 million. Cadw will endeavour to meet all of its thirteen Agency targets, but among these the conservation of the monuments – which is a statutory duty placed upon the Assembly and generally involves health and safety issues – needs to figure as a special priority.

11. Priorities and targets for the Budget Planning Round

I should be grateful for the Committee's views on where among the competing pressures our priorities should be. My initial view is that we should:

- seek to make continued progress towards a better quality, more integrated transport system: this will mean keeping a balanced approach to the different modes – rail and road (including buses and community transport);
- monitor our provision for implementing the waste strategy to ensure it remains sufficient to deliver our challenging targets (we already have a substantial rising baseline);
- seek to ensure that flood and coast defence schemes are not delayed by lack of finance;
- ensure sufficient provisions to deliver our obligations for biodiversity.

Among the smaller expenditures we should, to the extent that funds become available, seek to pursue opportunities for improvement in quality of life through:

- further sustainable development activities;
- developing the design initiative.

12. Recommendation

The Committee's views are invited on:

- review of performance in 2001-02
- the financial pressures for the next three years
- proposed priorities and targets for the Budget Planning Round.

The Committee is invited to respond to me by 16th July 2002.

Sue Essex

Minister for Environment

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