

Draft Budget 2025 to 2026: evidence to the Senedd Climate Change, Environment, and Infrastructure Committee

Written evidence by the Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs: December 2024

Written evidence by the Cabinet Secretary for Transport and North Wales: December 2024

Additional written evidence by the Cabinet Secretary for Transport and North Wales: January 2025

Written evidence by the Cabinet Secretary for Energy, Economy and Planning: December 2024



Climate Change, Environment, and Infrastructure Committee

Welsh Government Draft Budget Scrutiny 2025-26

08/01/2025

Background

The Draft Budget includes spending plans for 2025-26. This paper provides evidence to the Committee on the future programme budget proposals in relation to the budgets within the Climate Change & Environment Sustainability (CCES) portfolio within the Climate Change area of the Climate Change & Rural Affairs Main Expenditure Group (MEG) as outlined in the Draft Budget which was published on 10 December 2024.

Annex A provides a breakdown of the relevant Draft Budget figures for the CCES area of the Climate Change & Rural Affairs MEG by Action and Budget Expenditure Line (BEL). These figures are reflected in the table below.

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**6. Annex A – Allocations by Spending Programme Area, Action and
Budget Expenditure Line (BEL)27**

Budget Allocations

Revenue

BEL No.	BEL Description	£'000	£'000	£'000
		2025-26 Restated Baseline	2025-26 Budget Movement	2025-26 Draft Budget
2812	Environment Legislation, Governance and Communications	637	1,340	1,977
2809	Welsh Government Energy Service	3,970	200	4,170
2817	Environment Protection	6,402	320	6,722
3771	Climate Change Action	3,596	200	3,796
2230	Flood Risk Management & Water Policy Delivery	4,225	-1,244	2,981
2195	Landfill Disposals Tax Communities Scheme	500	0	500
2825	Biodiversity, Evidence and Plant Health	11,444	76	11,520
2827	Forestry	6,436	0	6,436
2820	Local Places for Nature	2,950	-300	2,650
2837	Env Act implementation (move to 2812)	890	-890	0
2451	Natural Resources Wales	124,339	19,065	143,404
2454	Natural Resources Wales - Timber Income	-33,080	0	-33,080
2455	Windfarm Income via NRW	-10,000	0	-10,000
2190	Resource Efficiency and Circular Economy	32,400	3,400	35,800
2490	Designated Landscapes & Countryside Access	11,626	1,425	13,051
2802	Plant & Wildlife Protection	896	511	1,407
2803	New National Park	700	-700	0
2232	Coal Tip Safety Delivery	3,836	2,000	5,836
2875	Marine Policy, Evidence and Funding	1,661	700	2,361
Total		173,428		199,531
Total Revenue Increase			26,103	13%

Capital

BEL No.	BEL Description	£'000	£'000	£'000
		2024-25 Restated Final Budget	2025-26 Budget Movement	2025-26 Draft Budget
2232	Coal Tip & Reservoir Safety Delivery	10,300	27,917	38,217
2230	Flood Risk Man & Water Policy Delivery	27,000	3,021	30,021
2451	Natural Resources Wales	25,106	2,700	27,806
2817	Environment Protection	300	2,386	2,686
2490	Designated Landscapes & Countryside Access	8,900	0	8,900
2809	Welsh Government Energy Service	12,000	0	12,000
2820	Local Places for Nature	19,790	-7,226	12,564
2825	Biodiversity, Evidence and Plant Health	12,500	0	12,500
2827	Forestry	9,310	0	9,310
2190	Resource Efficiency and Circular Economy	46,853	-5,000	41,853
Total		172,069		195,857
Total Increase			23,798	14%

Financial Transactions Capital

BEL No.	BEL Description	£'000	£'000	£'000
		2024-25 Restated Final Budget	2025-26 Budget Movement	2025-26 Draft Budget
2809	Welsh Government Energy Service	0	10,000	10,000
Total		0	10,000	10,000

Prioritisation of Budget

- 1.) My aim is to ensure our natural resources are sustainably managed. To achieve this, the budget allows me to drive forward action on the following priorities:
 - Tackling the climate emergency to build a fairer, safer future and secure green jobs.
 - Taking action to protect and restore nature in Wales and to connect people to the natural world.
 - Creating a sustainable future for Welsh food, fisheries and farming.
 - Improving the health and wellbeing of our communities by cutting waste and pollution, and using regulation to drive innovation, create markets and keep people safe.
 - Improving health and animal welfare.
- 2.) Tackling the climate emergency is a priority across Cabinet. In my own portfolio, I continue to fund the central capacity necessary to enable the whole of Welsh Government to develop and deliver our carbon budgets. This is integral to delivering our overall approach our climate resilience.
- 3.) I am also continuing funding for the Welsh Government Energy Service which provides critical advice and support to public bodies as they work towards our shared ambition of a net zero Welsh public sector by 2030. Circular Economy has received additional resource funding to continue to build on Wales' world leading performance on recycling and to realise the economic opportunities arising from keeping resources and materials in use

for as long as possible and avoiding waste. The reduction in capital reflects the profile of Local Authorities projects in 2025/26.

- 4.) I continue to invest in environmental protection, minimising the impact of environmental hazards on health and wellbeing. This includes a substantial increase in investment in coal tips safety, an increase in funding to improve water quality, continued investment in flood risk management and funding for Natural Resources Wales to ensure effective regulation of pollution.
- 5.) Investment in restoring nature, access to the countryside, green space and community engagement with nature continues through our Nature Networks and Local Places for Nature programmes and investment support the Wales Coastal path and other access work.
- 6.) The Coal Tip Safety will see a significant uplift in funding reflecting the priority this Government has placed on ensuring the safety of our communities.
- 7.) The Coal Tip Safety Grant Scheme, which was set up in 2020-21 in response to the widely reported tip slip at Tylorstown in 2020, will continue with significant additional funding. The grant scheme makes funding available to Local Authorities and NRW to complete maintenance activities on both publicly and privately owned coal tips to ensure that these remain in a condition whereby the threat of a slip is controlled and minimized. High profile examples of where previous budget have been used include Tylorstown remediation works, and Dyffryn Rhondda.
- 8.) In order to continue and to expand work in this area the scheme for 2025/26 has been increased by a further £12m in addition to the £36m that has been provided by the UK Government as part of the Autumn budget. This will bring our total investment in coal tip safety to £102m in this Senedd term.
- 9.) Secondly, the budget recognises the implementation costs arising from the Disused Mine and Quarry Tips (Wales) Bill which is being introduced in December 2024. Budget allocations have been made in relation to the costs of setting up a new body, as also outlined in the RIA. Funding has also been included for the continuation of the Mining Remediation Authority (formerly the Coal Authority) for works regarding the inspection regime.
- 10.) Reservoir safety is also of critical importance given the risks if they are not maintained and the future forecast for changes to the climate in Wales. This has been reflected in the budget allocations with £4.9m being made available for reservoir safety. This recognises Welsh Government statutory duties for the NRW estates and for orphan reservoirs.

- 11.) I have prioritised funding for delivery partners, including Natural Resources Wales and National Parks, recognising their crucial role and the funding pressures they face. I have also increased capital funding for water quality, recognising the need to step up progress.
- 12.) The reduction in Local Places for Nature funding reflects the significance of pressures elsewhere, including for water quality and reservoir safety, but the value of the programme has been recognised by maintaining a significant level of investment.

Previous Commitments from scrutiny of the 2024/25 budget

- 13.) I have considered the commitments the Welsh Government made in response to the Committee's recommendations in relation to the 2024-25 budget in proposing these allocations. I have summarised the approach, grouped under the headings in the Committee's report.

Biodiversity

- 14.) I have considered very carefully the potential to expand the scope of the Nature Networks programme in line with the ambition I know the Committee shares with me. On balance, I concluded there was insufficient headroom across the other pressures on the budget to expand the programme further next financial year. However, the additional investment in water quality and a number of the schemes including the Integrated Natural Resources Scheme (INRS) and the Habitats Wales Scheme which form part of the SFS Preparatory phase will contribute to positive biodiversity outcomes. Work has progressed on principles for sustainable and ethical green finance and there are a number of ambitious proposals for nature restoration emerging.

Marine

- 15.) In 24/25 I have continued to ensure that funding across Marine Programmes is prioritised which includes funding for the "Assessing Wales Fishing Activities in MPA's project". I have provided funding to Natural Resources Wales to undertake a further 60 assessments.
- 16.) Funding to support Seagrass restoration is available through the Nature Networks Fund and the Marine Protected Area Management Grant Scheme. I remain committed to the delivery of the Marine Conservation Zone (MCZ) designation programme. I have allocated budget to undertake the

Regulatory Impact Assessment of the proposed sites, which will commence in January 2025.

- 17.) Additionally, despite budget reductions in 24-25, we have delivered the Marine Protected Area Framework and continue to develop Strategic Resource Areas as well as commissioning an independent review of the National Marine Plan. I have also allocated funds to the Marine Fund Cymru.

Waste

- 18.) April 2025 will see the first year of payments to Local Authorities under the Extended Producer Responsibility (EPR) scheme for packaging which we have jointly developed on a four nations basis. The Welsh Government's intention is that the funding from the EPR scheme for packaging to cover the costs of managing packaging waste should be additional to the funding Local Authorities have previously received via the Local Government Settlement, subject to the agreement of the budget by the Senedd. This means that rather than maintaining grant funding, it will unlock additional investment to improve recycling against the 70 per cent minimum statutory target and support wider action as a key part of the action to decarbonise and grow the green economy.
- 19.) Capital funding has been slightly reduced this year, reflecting the profile of projects in the pipeline, but it is anticipated that demand for funding will increase from 2026/27 onwards.
- 20.) The Landfill Tax Disposal Scheme continues to operate and is currently open for applications. The most recent annual report setting out the impact of the Scheme is available at:

<https://wcva.cymru/wp-content/uploads/2024/11/WCVA-Landfill-Disposals-Tax-Communities-Scheme-Annual-report-23-24.pdf>

Natural Resources Wales

- 21.) Ensuring Natural Resources Wales receives commensurate funding to undertake its role effectively has been a priority in setting this budget. In July, Natural Resources Wales undertook a formal consultation with its recognised Trade Unions and engaged with its staff in relations to its proposed 'Case for Change'. Its Case for Change is intended to support a reshaping of the organisation so that it can operate effectively within the available budget. The draft budget will provide the basis for the next phase of the organisation's

development and a platform for transformation in key areas like regulation and enforcement. For 2024-25, we have operated an arrangement to share the timber income risk with Natural Resources Wales these arrangements will remain in place for 2025-26.

Flooding and Water

- 22.) I am pleased to have been able to allocate £2m for Natural Flood Management following the initial accelerator programme. I have maintained record levels of funding for flood and coastal risk management for Risk Management Authorities, having moved Natural Resources Wales' funding into the same BEL as wider Grant in Aid.
- 23.) I have made an additional £3m capital allocation for water quality action recognising the need to address the drivers of poor water quality bringing our investment to £18.021m. This will enable the continuation of a multi-year, multi-site programme of interventions delivered across opportunity catchments, national scale projects, river restoration and protected areas including Special Areas of Conservation (SAC) rivers.

Environmental Governance

- 24.) I have increased the funding for the Interim Environmental Protection Assessor Wales for the provision of the appointment of the additional Deputy Interim Assessor. I have also made provision for initial development of proposals for an Environmental Governance Body.

UK Government Policy Decisions

- 25.) The UK Government's recognition of the case for investment in coal tip safety has enabled a significant uplift in funding.
- 26.) The UK government have confirmed that they have allocated £25m (£23m capital, £2m revenue) for FY 2025-26 in relation to coal tip safety. This will bring our total investment in coal tip safety to £102m in this Senedd term.
- 27.) The draft budget will enable funded programmes to be expanded, providing grant funding to Local Authorities and Natural Resources Wales to complete maintenance activities on both publicly and privately owned coal

tips to ensure that these remain in a condition whereby the threat of a slip is controlled and minimised.

28.) The primary focus is to ensure that disused tips are safe and to deliver a modernised, fit-for-purpose regulatory regime. Once a new Bill has been implemented, it will be important to focus on developing resource capacity and capability (which is a limiting factor in the delivery of a long-term reclamation strategy), as well as developing a more detailed strategic approach to mining and industrial legacy in Wales.

29.) Welsh Government and Defra have agreed to work together to consider regulatory reforms to the reservoir safety program.

Tackling the Nature Emergency

30.) The Budget Improvement Plan includes a prevention agenda which is shaped by the work of Budget Improvement and Impact Advisory Group (BIIAG). A sub-group working with BIIAG is in the early stages of embedding 'prevention' – avoiding harmful unintended impacts - into the budget setting process. The sub-group is using biodiversity as an area to pilot ideas such as the development of a toolkit and providing advice to policymakers and Welsh Treasury, based on insights from the Dasgupta review and expects to report on progress in 2025.

31.) Subject to the findings from this pilot, we will explore a whole-budget approach to preventative activity. This work will support our ambition to mainstream delivery for biodiversity and ecosystem resilience across the organisation and our partners.

32.) Officials from Treasury, Decarbonisation and Biodiversity are involved with the Next Generation Budgets project. This is a 21-month project, ending in February 2026, run by the 'Climate Group' that trains and supports devolved governments in the design of green 'next generation budgets'. The project aims to align public budgeting with climate neutrality goals and help unlock financing, building on and informed by technical training and international best practice.

Legislation

The Environmental Protection (Single-use Plastic Products) (Wales) Act 2023

33.) Funding will be used to raise awareness and develop communication materials to support the commencement of the bans on the remaining products i.e. plastic carrier bags, products made of oxo-degradable plastic and polystyrene lids for cups and food containers; as listed in Table 1, Scheule 1 of the Environmental Protection (Single-use Plastic Products) (Wales) Act 2023.

Delivery of Workplace Recycling Regulations

34.) The draft budget provides for the work associated with the development of the legislation for extended producer responsibility scheme for packaging (EPR) and the deposit return scheme for drink containers (DRS). The EPR reforms are being taken forward on a UK wide basis, with extensive Welsh Government policy and legal services input. The DRS regulations will be made on a Wales only basis.

The proposed Disused Tips (Mines and Quarries) Bill;

35.) The draft revenue budget for 2025-26 includes £0.4m towards implementation expenditure to ensure work can continue in preparation for the completion of the Bill.

36.) The Regulatory Impact Assessment has also been completed. This provides detailed costings for the establishment of the Authority, including staffing costs, as well as the running costs once the Authority goes live, on 1 April 2027.

The Environment (Air Quality and Soundscapes) (Wales) Act 2024

37.) We will need to make important evidence-informed decisions regarding the scale and timing of the implementation, whilst complying with the time limits set out in the Act, of some of the secondary legislation and making of associated regulations. Specific funding is supporting implementation of the Act which includes a £1 million annual Local Air Quality Management grant to support local authorities in delivering local air quality improvements. This funding will also enable delivery of the plan's actions encompassing public

behavioural change and engagement aimed at tackling idling and domestic burning.

Bill on Environmental Governance and Biodiversity Targets

38.) The White Paper and draft regulatory impact assessment consulted on in early 2024 provided initial estimated costings which covered the establishment of a new environmental governance body for Wales as well as the implications for imposing new statutory biodiversity targets on both the Welsh Ministers and wider public bodies. Reflecting the consultation outputs, more detailed costings are being developed for the Regulatory Impact Assessment that will support the introduction of the Bill in 2025. The costs for 2025/26 are limited.

Environment

Delivery of the Biodiversity Deep Dive.

- 39.) We committed to bringing forward legislation to set biodiversity targets in Wales in law to drive our future action. Funding has been allocated to support the technical development of these targets.
- 40.) The Biodiversity Deep Dive resulted in a range of recommendations aimed to drive forward collective actions we can take immediately to support meaningful delivery of the '30 by 30' goal, as well as tackling the nature crisis. Funding will be allocated to support the delivery of the recommendations and actions. This includes continued investment in our Nature Networks and National Peatland Action Programmes, supporting pathfinder pilots exploring the opportunities for sustainable investment and an independent review of marine planning to support further spatial policies.

Nature Recovery Action Plan

- 41.) This investment will continue to directly contribute to the delivery of key priorities and actions identified in our Nature Recovery Action Plan (NRAP - <https://gov.wales/nature-recovery-action-plan-2015>) relating to the protection of our habitats and species of principal importance and the creation of resilient ecological networks. This plan is currently being refreshed to align with the targets and goals set out in the new Global Biodiversity Framework as well as defining actions required to deliver our proposed domestic statutory targets.
- 42.) The National Sites Network will benefit from funding through the continued delivery of our Nature Networks Programme (NNP) in 2025/26 helping to deliver our 30 by 30 target. It is key to improving the condition and connectivity of our terrestrial and marine protected sites, creating resilient ecological networks which will allow our most endangered habitats and species to thrive. It will also help to deliver nature to wherever people live through engagement with local communities. This benefits not only our environment but also our health and well-being. Robust monitoring and evaluation will be an integral part of the Nature Networks Programme.
- 43.) Legally binding biodiversity targets will be developed if the Environment (Governance, Principles and Biodiversity Targets) Bill is passed by the Senedd.

A Regulatory Impact Assessment is currently in development to accompany the Bill. This will provide initial estimated costings which will cover the new statutory targets. The full financial impact of these targets is not expected until after the Bill has been passed by the Senedd, which would likely mean FY 2026-27.

Nature Networks Programme

44.) This allocation will allow continued delivery of the Nature Networks Programme, working with landowners, partners, stakeholders and encouraging community engagement to implement measures that address the nature emergency and make a real difference to the environment of Wales.

Local Places for Nature

45.) The Local Places for Nature (LPfN) programme continued its delivery success in year 2023/24 with some highlights summarised below. A total programme expenditure of £15.3m was delivered last year.

46.) Table 1 – Highlight Outputs for LPfN Programme 2020-2024.

Highlight Output	Totals 2020/21 - 2023/24
Green Spaces Created or significantly enhanced	4,076
Wildlife meadows and verges with new mowing practices	1,176
Community orchards created	677
Community growing projects	793
Volunteers Involved	15,188
Trees planted (urban, small dense woodland, verges, parkland)	300 reportable hectares

47.) All bar one of the Programme for Government targeted measures for 'the creation of Green Spaces' have been delivered by Local Places for Nature alone, with many being exceeded by the end of this year. This programme has increased community access and connection with nature. Of particular biodiversity significance, the programme has funded all Wales changes to the

mowing practices of public green spaces and verges. This behaviour change is now becoming embedded as standard practice with this year being of significance in the public's perceptions of nature focussed green urban spaces.

48.) I am confident that the budget allocated alongside additional funding provide through the Biodiversity budgets specifically supporting the Local Nature Partnership's Biodiversity Duties will ensure the delivery capacity across the programme's schemes is retained.

49.) The reduction in the Local Places for Nature funding in 2026/25 (£300k of revenue funding and £7.3M capital funding) reflects the significance of pressures elsewhere, including for water quality and reservoir safety. Notwithstanding the need to make reductions in this area, the value of the programme has been recognised by providing a significant level of on-going investment in 2025/26, retaining an allocation of £12 million capital and over £2.5 million revenue funding. This level of funding will allow us to continue the positive work of the programme and support for the Local Nature Partnerships, with a particular focus on how this work can support a number of our Programme for Government commitments. The flexible nature of the LPfN programme will also allow us to support additional delivery should additional funding become available over the course of the year.

National Peatland Action Programme

50.) The National Peatland Action Programme is currently in its fifth year of delivery. Set up by the Welsh Government in 2020, the National Peatland Action Programme is delivered by Natural Resources Wales. The initial five-year programme had a target of restoring 3,000 hectares of peatland by June 2025. The target has been exceeded 12 months early with a further 4,000ha benefiting from habitat management and maintenance. The restoration works have safeguarded more than 1.6 million tonnes of stored carbon, resulting in an estimated annual emissions reduction of 8,000 tonnes.

51.) The funding maintains current restoration delivery of c.600ha p.a. contributing towards the peatland focused net zero and 30 by 30 targets.

52.) The Peatlands of Wales Map and the Welsh Peatlands Portal will be updated to reflect the significant amount of peatland data gathered since the programme began. The Welsh Peatlands Portal will continue to be annually

updated with all restoration and habitat management activity funded through the programme.

Natur am Byth

53.) Funding is allocated to continue to provide the match funding required to deliver this four year NRW led project. The project, which is currently in its second year, aims to tackle the decline of the most threatened species in Wales working with a range of partners helping to address the nature emergency.

Monitoring programmes for biodiversity.

54.) Effective and affordable monitoring and evidence is vital for tracking our progress towards both the 30 by 30 target and our longer-term nature positive ambition.

55.) Various biodiversity monitoring programmes are undertaken with direct support from, or on behalf of, the Welsh Government, allowing the reporting of the status of biodiversity in Wales e.g. through the Natural Resources Wales produced State of Natural Resources Report (SoNaRR) due to report in December 2026. Key components of our existing biodiversity monitoring framework include Environment and Rural Affairs Monitoring and Modelling Programme (ERAMMP), the Living Wales Earth Observation system, the monitoring of key indicator species through JNCC/citizen science-led surveillance programmes, and the Common Standards Monitoring provided by NRW for protected sites.

56.) In relation to the 30 by 30 target, the Monitoring and Evidence expert group have produced a comprehensive report recommending a high-level monitoring and evidence framework. The focus of our next steps will be the collation and consolidation of monitoring effort and resources in Wales to ensure data are efficiently captured, processed, and analysed against the framework the Monitoring and Evidence group have produced. As part of this an evaluation of the functions of the Local Environment Record Centres will be undertaken along with an evaluation of the Nature Networks Programme.

Support for green skills including Nature Service Wales.

57.) Stimulating green jobs which deliver economic growth and tackle the climate crisis and restore nature is a priority for Cabinet as a whole.

- 58.) The Net Zero Skills Action Plan was published in February 2023 and the summary of responses to the consultation on sector roadmaps in June 2024.
- 59.) We are also looking for opportunities to stimulate skills development and training pathways through our investment, for example as we substantially step up investment in coal tip safety and start to plan for a new, supervisory body to be established.
- 60.) The National Nature Service (NNS) is being led by third sector partners and has made a successful funding bid to the Esmée Fairbairn Foundation and subsequent appointment of an officer based in the Farming Commission to take forward work. This should enable further development of an operating model, governance structures and funding model.

Developing an approach for private investment for nature.

- 61.) Welsh Government is developing a new approach to sustainable finance for nature's recovery. This approach is intended to increase and diversify the funding available so that we can effectively tackle the nature emergency and the pressures that drive biodiversity loss – including climate change, pollution, and unsustainable management of natural resources.
- 62.) Markets for nature and the environmental services nature provides, have the potential to harness the capabilities and resources of the private sector to efficiently deploy capital and encourage the innovation needed. But environmental markets must be well-designed and governed to prevent 'greenwash' and ensure they are high integrity, deliver real environmental improvement and both engage and benefit local communities.
- 63.) On 10 September 2024 a consultation on Sustainable Investment Principles was launched. These principles were co-developed with key stakeholders and focus on high integrity. The responses to the consultation will help shape the next steps in scaling up delivery for nature recovery which will require significantly increased level of funding.

Biosecurity, including Avian flu.

- 64.) We continue to manage existing plant pests and diseases and work to mitigate new risks including at the UK border for Welsh ports. The resource for this work has increased to reflect the policy and regulatory work devolved to Wales for biosecurity, including tackling invasive species and pesticide and biocide regulation.

65.) We have strengthened our capacity to address wild animal health issues where they affect species of biodiversity significance following the outbreaks of High Pathogenic Avian Influenza in seabirds. This will enable Welsh Government to develop a more strategic approach to wild animal diseases as well as strengthen our overall One Health approach.

Support for the delivery of the circular economy strategy, Beyond Recycling, including the development and delivery of Extended Producer Responsibility and a Deposit Return Scheme for Wales

66.) The funding will continue the implementation of the circular economy strategy, which has already seen Wales further improve its recycling and climb to second in the World. This includes the Circular Economy Fund supporting our Local Authorities to decarbonise services, roll out reuse and repair facilities and improve recycling, which in turn provides high quality materials back into the economy unlocking further opportunities for green jobs and growth . The Circular Economy Fund also provides funding to support businesses to adapt their processes to for example use recycled material, providing the opportunity for businesses improve resource efficiency, resilience and competitiveness in a decarbonising economy It also includes the implementation of the Extended Producer Responsibility scheme for packaging and development of the Deposit Return Scheme for Wales. The funding will also enable the continuation of work by our delivery partners to support Local Authorities to improve their services, tackle waste crime and build the capacity needed to regulate key reforms and continue progress in areas like food waste reduction.

Managing Marine Protected Areas (MPAs), including an update and delivery of the MPA network management framework and action plan.

67.) Budget will be allocated for funding of successful projects that are awarded during the proposed call for actions, delivering on the priorities and objectives laid out in the MPA network management framework for Wales. Allocations are expected to match awards from previous years and sourced from the Marine Ecosystems and Biodiversity budgets when finalised. Furthermore, budget is expected to be allocated for actions arising from the publication of the Seabird Conservation Strategy for Wales next year.

Assessment and identification of gaps within the MPA network, including improvements to the evidence base to inform the designation of further Marine Conservation Zones (MCZs) in Welsh waters.

- 68.) Welsh Government is committed to its MPA network completion programme; the proposed Marine Conservation Zone designations are a significant element of this.
- 69.) Officials are working with Statutory Nature Conservation Bodies to develop the underpinning evidence base to inform designation of proposed sites. As part of this process, it is critical that the proposed sites are rigorously assessed for their potential socio-economic impacts through a Regulatory Impact Assessment (RIA).
- 70.) Welsh Government have experienced delays in progressing this assessment, however a contractor has now been appointed and budget allocated to undertake this work. Development of the RIA will commence in January 2025.

Funding for the delivery of a targeted scheme to support restoration of seagrass and saltmarsh habitats along Wales' coastline.

- 71.) Welsh Government are committed to supporting habitat restoration of seagrass and saltmarsh recognising the benefits they have for biodiversity, water quality and carbon sequestration.
- 72.) We have committed to support the National Seagrass Action Plan (NSAP) and have allocated budget through our Marine Protected Area Grant Scheme to support identifying evidence gaps which will enable us to continue to support regeneration along the Welsh coastline.
- 73.) Through the Nature Networks Programme Welsh Government is funding a number of projects to support successful saltmarsh regeneration across Wales.

Improving water quality, including support for the Better River Water Quality taskforce to take forward actions arising from the Stantec report.

- 74.) Water quality is under pressure from various threats. The main causes of failure under the Water Framework Directive (WFD) in Wales are attributed to the agriculture sector, mining and quarrying (including pollution from abandoned metal mines), the transport sector, urban pollution and water industry discharges. It is necessary that an integrated cross-sectoral approach is developed and implemented across Wales to ensure long term water quality improvement. Recognising these pressures, in 2024-2025 we provided NRW with £15 million capital grant funding to improve compliance with Water Environment (Water Framework Directive) (England and Wales) Regulations 2017 and related legislation which will deliver water quality improvements. This work covers high profile schemes including the metal mine remediation programme, comprising blow out prevention, water treatment schemes and diverting watercourses. This programme will receive a £3m uplift in the coming financial year, allowing additional schemes to progress for example additional metal mine remediation projects.
- 75.) One of our Programme for Government commitments is to begin designating inland bathing waters sites, following the successes of our coastal bathing waters. We have continued to boost capacity in Natural Resources Wales by maintaining funding for a dedicated specialist water quality advice.
- 76.) To date we have provided approximately £2m funding to our Nutrient Management Boards to support the delivery of priority actions in failing Special Area of Conservation (SAC) river catchments. This work forms part of the broader work on making improvements to Special Area of Conservation (SAC) rivers where we have been engaging all sectors to address pollution in failing SAC rivers in Wales. There have been a number of ministerial-led Summits discussing the issues and agreeing action. We are agreeing a way forward with the work as we transition into ensuring effective delivery of strategies on the ground.

Implementation of the National Strategy for Flood and Coastal Erosion Risk Management, including the take up of the Flood and Coastal Erosion Risk Management Grant and Natural Flood Risk Management Fund.

- 77.) The National Strategy for Flood and Coastal Erosion Risk Management sets out how we will manage risk from flooding and coastal erosion over the next decade with the objectives to prioritise investment, improve our understanding of risk, build resilience, prevent more people becoming exposed to risk and respond to events. We are maintaining record levels of investment in flood risk management.
- 78.) This year the Flood and Coastal Erosion Risk Management programme has funded major NRW schemes at Stephenson Street, Newport and Ammanford. The programme is also funding over 200 local authority led schemes throughout Wales, with over £12m invested in local authority construction schemes. Looking ahead to 2025/26, we also have a healthy pipeline of schemes for future years, with over £70m worth of future capital schemes already in development, with many due to commence construction next year.
- 79.) Our Coastal Risk Management Programme (CRMP) has been awarded for the 15 schemes in scope. Construction has now commenced on all outstanding schemes and will continue in 2025/26. The programme will invest over £200m in key coastal infrastructure and reduce the risk from flooding and/or coastal erosion to over 15,200 homes and businesses.
- 80.) Since 2020 we have provided funding through a Natural Flood Management Pilot, funded through the flood budget and a NFM Accelerator which was funded through the Rural Investment Scheme. Building on the great work which has been implemented by Risk Management Authorities (RMA) we have allocated £2m for 2025/26 through the flood budget. This will support RMAs to build upon existing schemes and continue learning on how natural flood management can not only benefit flooding alleviation, but deliver multiple benefits for water quality and for nature.

Support for the Interim Environmental Protection Assessor for Wales and the development of more permanent environmental governance arrangements.

- 81.) I am committed to working towards the establishment of an environmental governance body for Wales and have allocated additional funding to support this.
- 82.) The Interim Environmental Protection Assessor for Wales' (IEAPW) budget of £120,000 has increased to £165,000 following the appointment of two

Deputy Interim Assessor's and forms part of the wider budget for environmental governance.

National Parks

- 83.) The draft budget includes an increase in core funding for each of the three National Park Authorities in Wales. The Welsh Government provides statutory core funding to each National Park Authority and also discretionary support to our National Landscapes.
- 84.) A specific budget allocation in 2025/26 will continue the delivery of the Programme for Government commitment to designate a new National Park in North East Wales.
- 85.) Designating a National Park is a significant undertaking and the majority of this funding enables Natural Resources Wales, our statutory advisors in this area, to undertake the necessary preparatory work. Natural Resources Wales' programme includes detailed assessment, collection and analysis of evidence for a new designation, as well as engagement and consultation. This funding ensures Natural Resources Wales can deliver the designation work on as effectively and robustly as possible, with the necessary expertise and capacity.
- 86.) The funding also provides additional revenue to the Clwydian Range and Dee Valley National Landscape to build capacity and resilience while the designation work is taken forward, as well as providing resources for Welsh Government to undertake its own assessments in relation to the designation process now the programme is at a more advanced stage.

Climate Change

Delivery of the policies and proposals in the Net Zero Wales plan which are relevant to the remit of this committee.

87.) Decarbonisation action across the eight main emissions sectors are covered by 123 policies and proposals in the Net Zero Wales plan. Most relevant to this committee are actions taken by energy, transport, and the public sector to decarbonise. Delivery of these actions in Energy and Transport is led by other Cabinet Secretaries and is not reflected in my budget.

88.) We continue to support decarbonisation action in the public sector, in line with our ambition for the public sector to be collectively net zero by 2030. In 2025/26 we will again invest over £21m in loans and grants for continued investment in energy efficiency and renewable energy within the public sector in Wales. These projects help achieve cost savings as well as carbon reductions.

The impact of proposed UK Government policies on Welsh Government efforts to support net zero.

89.) We continue to work closely with governments across the UK to collaborate towards our common goal of net zero by 2050. Over half of Welsh emissions emanate from sectors for which policies are largely reserved to the UK Government. We welcome the UK Government's Clean Energy Mission as it seeks to accelerate the UK's progress towards clean sources of power by the end of the decade. This has a material impact on Wales's ability to reduce its emissions given the interconnected nature of the energy network in the UK. We are working closely with UK Government to dovetail action to accelerate delivery of renewable energy.

Climate adaptation action, and detail of specific allocations to support delivery of the new climate adaptation strategy.

90.) Budget is allocated to deliver the Climate Adaptation Strategy for Wales 2024. In 2025/26 this will focus on developing an adaptation monitoring framework, engaging with the wider public sector on delivery and reporting of adaptation measures, and Wales's contribution to the Climate Change Committee's Adaptation Committee. Specific funding for actions contained

in the adaptation strategy are detailed under the relevant policy area, where pertaining to the remit of this Committee.

Implementation of the Woodlands for Wales Strategy and recommendations of the 2021 Trees and Timber Deep Dive, including delivering the National Forest and increasing the rate of tree-planting.

91.) The budget will fund the further expansion of the National Forest for Wales including through ongoing support for sites looking to join the Status Scheme, as well as new approaches to delivery at a landscape scale. With the Timber Industrial Strategy due to be published next financial year, funding will be used to invest in the sector including through proposed capital investment and skills provision. It will also be used to support interventions to help increase our tree planting rates to deliver on our net zero ambitions.

Natural Resources Wales

BEL No.	BEL Description	2025-26 Revised Baseline	Additional Recurrent Funding since Revised Baseline £000	2025-26 Draft Budget December 2024 £000
2451	Natural Resources Wales RDEL	124,339	19,065	143,404
2451	Natural Resources Wales - Non cash	10,000		10,000
2454	Natural Resources Wales - Timber Income	-33,080		-33,080
2455	Windfarm Income via NRW	-10,000		-10,000
Total Sponsor and Manage Delivery Bodies		91,259	19,065	110,324

2451	Natural Resources Wales CDEL	25,106	2,700	27,806
Total Sponsor and Manage Delivery Bodies		25,106	2,700	27,806

92.) In July - September, Natural Resources Wales undertook a formal consultation with its recognised Trade Unions and engaged with its staff in relations to its proposed 'Case for Change' to deliver savings. Through this process, Natural Resources Wales have identified some activities / services that will be delivered differently or reduced to support a reshaping of the organisation.

93.) The case for change identified areas for investment where Natural Resources Wales wanted to build capacity and capability to enable delivery against its Corporate Plan priorities. The budget uplift will enable that investment to take place.

Details of any new functions, duties, or responsibilities Natural Resources Wales will take on during the budget period and the funding that has been allocated for those purposes.

94.) Natural Resources Wales will have new functions in relation to Extended Producer Responsibility. Funding has been provided for within the

allocations to BEL 2190. Detailed work is being undertaken to confirm the activity and related costs to support Natural Resources Wales' role within the Sustainable Farming Scheme.

- 95.) Discussion between NRW and HMRC to arrive at a final settlement continue in relation to IR35.

6. Annex A – Allocations by Spending

Programme Area, Action and Budget Expenditure Line (BEL)

96.) This section will provide a breakdown of the allocations by Spending Programme Area, Action and Budget Expenditure Line (BEL).

Environment Quality and Marine

Marine

BEL description	Resource Budget £'000	Capital Budget £'000
2875 - Marine	2,361	-
Proposed BEL activity		
<p>Additional allocation of £0.7m in 25/26.</p> <p>Welsh Government's ambition for the marine environment is that Welsh seas are 'clean, healthy, safe, productive and biologically diverse'. The budget will be used to deliver the Deputy First Minister's marine priorities to help meet this ambition, including the specific Programme for Government commitment on coastal restoration.</p> <p>Work will focus on marine planning and licensing, biodiversity, and climate change policy development. We will continue to enhance ecosystem resilience through Marine Protected Area network designation and targeted recovery interventions whilst maintaining our commitments to meeting Good Environmental Status. We will be responsive to developing evidence around blue carbon habitats and their global importance as part of our future marine decision-making processes, and contribution to achieving Net Zero.</p>		

Water and Flood

BEL description	Resource Budget £'000	Capital Budget £'000
BEL 2230 - Flood and Water	2,981	30,021
Purpose of BEL		
<p>Proposed Revenue Programme</p> <p>The FCERM Resource Budget largely funds Wales' Risk Management Authorities in undertaking activities such as asset maintenance, awareness raising work, flood investigation (Section 19 reports) mapping, warning, and informing and staff costs.</p> <p>Water Revenue Programme</p> <p>This is used to deliver statutory and regulatory functions in respect of water and sewage, including working with stakeholders on the statutory 2024 price review which sets water bills and charges and water company investment for 2025 – 2030. It also funds support for delivering Programme for Government commitments to strengthen the requirements for the use of sustainable drainage systems that provide wildlife habitat and begin to designate Wales' inland waters for recreation, strengthening water quality monitoring.</p> <p>Flood Capital Programme</p> <p>Capital funding is not only used to build new flood and coastal risk management schemes but also to fund preparatory business case and design work ahead of construction. NRW are funded through the NRW BEL.</p> <p>Water Capital Programme</p> <p>The Water Environment (Water Framework Directive) (England and Wales) Regulations 2017 aim to reduce pollution and improve the condition of aquatic ecosystems, promote the sustainable use of water and reduce the effects of floods and droughts.</p> <p>Natural Resources Wales has prepared a flexible multi-year programme of work designed to decrease the number of watercourses failing to meet good ecological status. We propose to provide Natural Resources Wales with the necessary funding to undertake work prioritised using the following agreed criteria:</p> <ul style="list-style-type: none"> • Delivers improvements to water quality and/or improvements in resilience to water quality pressures; 		

- Has clear, measurable capital outputs (delivers/will deliver on the ground actions);
- High confidence of delivery within the financial year;
- WFD status of waterbody and/or failing against a SAC condition attribute; and
- Value for money for the taxpayer.

97.) This programme of work includes remediation work for abandoned metal mines to help prevent discharges of hazardous pollution into waterways, and a range of capital work to address the key factors causing water quality failures. Natural Resources Wales will prioritise the work according to where it has the most impact and where it can be completed within this financial year.

Coal Tip & Reservoir Safety & Delivery

BEL description	Resource Budget £'000	Capital Budget £'000
BEL 2232 - Coal Tip & Reservoir Safety & Delivery	5,836	38,217
Purpose of BEL		
<p>Coal Tips Safety</p> <p>The BEL is for the Coal Tip Safety Grant Scheme for local authorities to carry out works on tips, which has been identified in inspections reports or where a slip has occurred. In addition, we are committed to the final phase of remediation of the Tylorstown coal tip and work on reservoirs.</p> <p>The grant scheme makes funding available to Local Authorities and Natural Resources Wales to complete maintenance activities on both publicly and privately owned coal tips to ensure that these remain in a condition whereby the threat of a slip is controlled and minimised. High profile examples of where previous budget have been used include Tylorstown remediation works, and Dyffryn Rhondda.</p> <p>Secondly, the budget recognises the implementation costs arising from the Disused Mine and Quarry Tips (Wales) Bill which is being introduced in December 2024. Budget allocations have been made in relation to the costs of setting up a new body, as also outlined in the RIA. Funding has also been included for the continuation of the Coal Authority works regarding the inspection regime.</p> <p>Reservoir Safety</p>		

Reservoir safety is also of critical importance given the risks if they are not maintained and the future forecast for changes to the climate in Wales. This has been reflected in the budget allocations with £4.9m being made available for reservoir safety.

Land Nature Forestry

Biodiversity, Evidence and Peatlands

BEL description	Resource Budget £'000	Capital Budget £'000
BEL 2825 - Biodiversity, Evidence and Peatlands	11,520	12,500
BEL 2814 - Environment Management (Pwllperian) (Non-Cash)	38	-
Purpose of BEL		
<p>Biodiversity delivery is focussed on actions to tackle the nature emergency and deliver PfG commitments including:</p> <ul style="list-style-type: none"> • Nature Networks Programme – improving the condition and connectivity of our protected sites network (enhance green spaces). • Local Nature Partnerships – promoting coordination of locally driven action. • Developing legally binding targets and appropriate reporting and monitoring mechanisms through a year four Bill. • Embedding biodiversity in decision making through the biodiversity taskforce and section 6 duty. • Species recovery including pollinators and bee health 		

The BEL also funds the following;

- National Peatland Action Programme

The National Peatland Action Programme provides national, coordinated leadership through Natural Resources Wales for sustained peatland restoration. The aim is to restore functioning ecosystems which in turn safeguards and sequesters carbon.

Plant Health and Environmental Protection

BEL description	Resource Budget £'000	Capital Budget £'000
BEL 2802 – Plant and Wildlife Protection and Regulation	1,407	0
Purpose of BEL		
<p>Additional allocation of £0.5m in 25/26.</p> <p>This BEL supports work to maintain Wales Biosecurity for plants, development of policy for new genetic technologies and regulate GMOs. This includes all policy development and any costs associated with outbreak response where not covered by our agreements with Defra, NRW, the Forestry Commission and APHA. Most of these are funded by agreement with Defra. The BEL also supports policy work on rural and wildlife crime including regulations around hunting, snares, glue traps, managing wild pigs, licensing/regulating any disturbance or interference with badgers and their setts including TB testing of badgers. Funds the wildlife and rural crime officer. Part funds the Wildlife Incident Investigation Scheme in Wales investigating suspected poisoning of wildlife, companion animals and beneficial insects part funded by a pesticide levy. The BEL also funds limited eradication of invasive alien species and policy work on invasives. It funds policy work on Plant Varieties and Seeds, including maintaining the national lists of seeds and plant varieties, including</p>		

any tribunal costs falling to Wales. The BEL supports **regulation of Agriculture EIA**. The BEL also covers policy work on **pesticide and biocide regulation** where the operational work is funded via Defra and the Health and Safety Executive policy is devolved but budgets are not.

Local Places for Nature

BEL description	Resource Budget £'000	Capital Budget £'000
BEL 2820 - Local Places for Nature	2,650	12,564
Purpose of BEL		
<p>Local Places for Nature</p> <p>Local Places for Nature (LPfN) intends to help communities create nature on their doorsteps. The programme is aimed at communities and community organisations to restore and enhance nature in their local areas, particularly in areas of deprivation and communities with little or no access to nature. The programme began in 2020 and delivers the current Programme for Government commitment, “Expand arrangements to create or significantly enhance green spaces”.</p> <p>Capital funding is delegated to three Scheme Managers, Wales Council for Voluntary Action (WCVA), Keep Wales Tidy (KWT) & National Lottery Heritage Fund (NLHF) who work collaboratively, running individual schemes;</p> <p>1) WCVA - 25 Local Nature Partnerships, led by Local Authorities and National Parks deliver projects locally.</p> <p>98.) An open access competitive capital grant scheme run by NLHF, via an Memorandum of Understanding with Department for Culture, Media and Sport</p> <p>99.) KWT - Community Packages to create pollinator and community growing gardens including on manmade structures.</p>		

Forestry

BEL description	Resource Budget £'000	Capital Budget £'000
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BEL 2827 - Forestry	6,436	9,310
BEL 2827 - Forestry (Non-Cash)	83	-
Purpose of BEL		
<p>National Forest</p> <p>Allocated to funding National Forest Woodland Liaison Officers, funding the creation and enhancement of woodlands which meet National Forest standards and creating the covid 19 commemorative woodlands.</p> <p>Cross-border Memorandum of Understanding (MoU)</p> <p>Allocated to cover areas where cross-border collaboration is beneficial: tree health, the Woodland Carbon Code, forestry research, forestry economics and the UK Forestry Standard. Wales contributes 10% of total funding to the MOU, with 90% funding split between Scotland and England.</p> <p>Forestry policy</p> <p>Allocated to work to increase woodland creation and to meet ongoing forestry policy costs.</p> <p>Timber industrial strategy</p> <p>Allocated to funding the Home-Grown Homes project and the creation of the strategy.</p> <p>Natural Resources Wales funding</p> <p>Allocated to funding Natural Resources Wales to verify that woodland creation plans meet the UK Forestry Standard.</p> <p>Woodland Restoration</p> <p>Allocated to restoring woodlands affected by tree disease.</p> <p>Forest Research Memorandum of Understanding</p> <p>Forest Research is the research agency of the Forestry Commission. Through our service agreement we fund them to map woodland in Wales, provide monitoring and surveillance of tree health and identify tree diseases and research key issues in forest management.</p> <p>Non-cash totals 83k.</p>		

Designated Landscapes & Countryside Access

BEL description	Resource Budget £'000	Capital Budget £'000
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BEL 2490 – Designated Landscapes & Countryside Access	13,051	8,900
Purpose of BEL		
<p>Provide core funding to the three National Park Authorities.</p> <p>Fund any public appointments to National Park Authorities.</p> <p>Our Designated Landscapes (National Parks (20 per cent) and Areas of Outstanding Natural Beauty (5per cent) play a crucial role in protecting some of our most precious and beautiful areas and cover 25 per cent of Wales’ land area. They are also key drivers for a number of Welsh Government priorities. These include tourism, biodiversity, decarbonisation, health and wellbeing, sustainable communities, and the Welsh Language. The National Park Authority strategic grant ensures that the management of these landscapes is resilient and can realise these ambitions.</p> <p>In addition to funding for National Park Authorities, the draft budget included funding for a number of related areas, including:</p> <p>Provide the Welsh Governments’s contribution to the maintenance and promotion of the Wales Coast Path.</p> <p>Provide the Sustainable Development Fund for Areas of Outstanding Natural Beauty (AONBs).</p> <p>Fund a number of programmes, services and interventions to deliver WG and First Minister priorities around access and recreation, green spaces and allotments.</p> <p>Fund a number of Welsh Government responsibilities such as any court cases relating to access.</p> <p>Fund workstreams looking at a new National Park in North East Wales, including for Natural Resources Wales, our statutory advisors in this area.</p>		

Landfill Disposal Tax Communities Scheme (LDTCS)

BEL description	Resource Budget £’000	Capital Budget £’000
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BEL 2195 - Landfill Disposal Tax Communities Scheme (LDTCS)	500	-
Purpose of BEL		
<p>In April 2018, the collection of landfill tax was devolved to Wales, as set out in the Landfill Disposals Tax (Wales) Act 2017. Section 92 of the Act places a duty on the Welsh Ministers to prepare and publish a Landfill Disposals Tax Communities Scheme, which will make provision for grant funding for the benefit of communities affected by landfill disposals or activities at waste transfer stations. The budget for 2025/26 is maintain at 2024/25 levels.</p>		

Resource Efficiency and Circular Economy

BEL description	Resource Budget £'000	Capital Budget £'000
BEL 2190 - Resource Efficiency & Circular Economy	35,800	41,853
Purpose of BEL		
<p>Funding of Delivery Partners Delivery of the work on a circular economy is heavily dependent on the external support provided by various Delivery Bodies, which provide both crucial expertise and capacity to deliver against the breadth of the commitments. Significant work has been undertaken with WRAP and Local Partnerships to align resource to the Programme for Government priorities, including the Extended Producer Responsibility Programme and Circular Economy Infrastructure Programme - with the bolstering of Programme and Project Management arrangements to the former and support to Local Authorities to produce robust business cases for infrastructure investment.</p> <p>In addition, the budget supports delivery partners such as Repair Café Wales to roll-out repair cafes across Wales and Fareshare to arrange the redistribution of food that would otherwise be wasted from the food and drink industry to communities in need across Wales.</p> <p>This also includes funding to Natural Resources Wales to support the implementation of workplace recycling reforms, EPR and DRS with the provision of detailed technical and enforcement advice and as the regulator for the circular economy in Wales. Natural Resources Wales are also the lead authority for waste crime and waste tracking and have a key role in decarbonisations work to address emissions from legacy landfill.</p> <p>Sustainable Waste Management Grant</p>		

Funding to help Local Authorities to design, develop and execute strategic improvements in their approach to the Circular Economy, move up the waste hierarchy and preparing for Extending Producer Responsibility.

Recycling Targeted Improvement & Strategic Planning

Funding for the continued improvement in terms of the performance and efficiency of recycling collection and wider services, including repair and reuse. Focusing in particular, on utilising the evidence to take action to improve Wales' recycling rates to meet the 70 per cent target and prepare for the implementation of Extended Producer Responsibility payments on the basis of service efficiency and effectiveness.

EPR, DRS & Workplace Recycling

This funding is allocated against the delivery of the Welsh Government's commitments to deliver EPR, DRS and Workplace Recycling Reforms. These commitments represent economy wide reforms with significant carbon savings as well as being crucial to further progress on recycling in moving up the waste hierarchy.

Circular Economy Fund for Business

The funding delivers on the key commitment within *Beyond Recycling* and *Net Zero Wales* to support businesses to adapt their processes to become more circular, for example in using recycled content in manufacturing or moving to more sustainable materials and follows on from the successful pilot delivered over the last three years.

Circular Economy Fund for the Public Sector

This capital funding, is primarily targeted at Local Authorities, to address core Circular Economy actions and develop a pipeline of circular economy infrastructure projects being developed collaboratively with Local Authorities. This includes improvements in recycling performance, increasing repair & reuse activity, enhancing climate resilience and decarbonising waste & recycling operations in line with the 2030 target.

Funding is also allocated to support Local Authorities to continue the transition of their fleet to Ultra-Low Emission collection Vehicles for recycling and residual waste.

Programme Staff

Programme funded staff that are crucial to the delivery of the Welsh Government's Circular Economy strategy and overarching Programme for Government and Net Zero Wales commitments.

Natural Resources Wales (NRW) Sponsorship & Environment Protection

Natural Resources Wales

BEL description	Resource Budget £'000	Capital Budget £'000
BEL 2451 - Natural Resources Wales	143,404 10,000 non-Cash	27,806
BEL 2454 - NRW – Timber Income	-33,080	
BEL 2455 – Windfarm Income	-10,000	
Purpose of BEL		
<p>This BEL provides Grant in Aid to Natural Resources Wales for its primary operational and regulatory responsibilities. Natural Resources Wales is the principal environmental adviser and regulator to Welsh Government and help to deliver a wide range of ministerial priorities and commitments, in delivering action to address the climate and nature emergencies.</p> <p>Capital funding is also provided to Natural Resources Wales to support their core capital funded activities which include scheme development work (including business case development), mapping and modelling projects, staff costs, ICT for flood projects, car fleet/plant hire and capital maintenance. This budget includes flood risk funding.</p> <p>Non-cash totals £10m</p>		

BEL description	Resource Budget £'000	Capital Budget £'000
BEL 2817 – Environment Protection (was Radioactivity and Pollution Prevention)	6,722	2,686
Purpose of BEL		

This BEL supports the policy and legislative work in respect of air quality, chemicals, environmental noise, industrial pollution, and radioactivity/radioactive waste. This includes implementing associated legislation as necessary to deliver those policy measures. It also covers the management of infraction cases, including some legal costs, associated with industrial pollution and air quality.

Environment Protection

Environment Legislation & Governance

BEL description	Resource Budget £'000	Capital Budget £'000
2812 - Environment Legislation and Implementation, Governance and Communications	1,977	-
Proposed BEL activity		
<p>The BEL provides budgetary cover for legislation, governance and legal costs affecting MEG environmental and related programmes and includes the programme staffing costs for a solicitor.</p> <p>The BEL also support the Ministerial commitment to further the sustainable management of natural resources and the implementation of the Environment Act through a number of delivery schemes. It supports the staff posts required to run and manage these schemes and grant programmes. It also helps to support the international Eco-Schools programme across Wales, the Ministerial commitment to the tree planting and climate change educational programme delivered by charity Size of Wales.</p> <p>It also provides for preparatory work for the new Environmental Governance Body.</p> <p>This budget also supports work to embed the Environment (Wales) Act 2017 and the Natural Resource Policy.</p>		

Climate Change

Welsh Government Energy Service

BEL description	Revenue Budget £000	Capital Budget £000
BEL 2809 – Welsh Government Energy Service (WGES)	4,170	22,000
Purpose of BEL		
<p>BEL 2809 Welsh Government Energy Service - This investment is to support public bodies to undertake energy efficiency, and renewable energy projects. It also supports communities to develop renewable energy projects. reduce their energy costs and invest in renewable energy sources and the Smart Living initiative which stimulates placed-based pre-market decarbonisation innovation (including whole systems and hydrogen).</p> <p>This budget also covers implementation of the net zero public sector route map, publication of the Welsh public sector carbon emissions annual report and guide.</p> <p>Additional FTC capital funding of £10.0m is also included above.</p>		

Climate Change Action

BEL description	Revenue Budget £000	Capital Budget £000
BEL 3771 – Climate Change Action	3,796	-
Purpose of BEL		
<p><u>Climate Adaptation</u></p> <p>100.)Undertake an engagement and review exercise to understand the current state of climate risk preparedness across the public sector and identify any constraints to adaptation planning.</p> <ul style="list-style-type: none"> Support the development and administration of the pilot exemplar grant scheme to support the public sector's local climate adaptation measures. <p><u>Decarbonisation Programme</u></p> <p>Funding to develop the next iteration of the Net Zero Wales Delivery Plan which will detail how we intend to meet emission reduction targets and our Carbon Budget. This includes evidence and analysis to develop decarbonisation pathways; policy development and implementation including for a Just Transition Framework; and Wales' contribution to fund the Climate Change Committee which provides advice to WG on both adaptation and</p>		

mitigation. The budget also covers staff costs, development, training and T&S.

Decarbonisation Innovation / Smart Living

Includes technical and analytical support for development of innovative and whole systems solutions to place-based issues. The funding will be focussed at multi-energy vector and multi-sector infrastructure and technology, processes and systems approaches involving public, private and academic key stakeholders.

101.)

Emissions Trading Scheme and Carbon Pricing

Funding to implement the Welsh Government's obligations as part of the UK ETS Authority. These include costs for maintaining and developing the IT system, research and translation. The budget also covers staff costs associated with further enhancing and improving the UK ETS. Should funding allow, early research will be commissioned to understand in which sectors a carbon pricing signal may be helpful in meeting our long-term carbon reduction targets.

102.)

Climate-led Behavioural Change Programme

Funding to deliver the commitments made in the Climate Public Engagement Strategy, including engagement (through Wales Climate Week and Climate Conversations workshops) with stakeholders and the general public to involve them in shaping the right policy solutions, social research to build our understanding around the barriers people face and motivations around making green choices, and on-going national communications (digital focus), and enhancements to the climateaction.gov.wales digital hub to encourage action on climate change

International Climate Action

Membership of groups representing sub-national states and regions, including the Under2 Coalition, enabling Wales to have its voice heard on the international stage, including at COP.



Memorandum on the Transport MEG Draft Budget Proposals for 2025-26

Climate Change & Economic Infrastructure Committee

08/01/2025

This paper provides information on the Transport budget proposals as outlined in the 2025-26 Draft Budget published on 10th December 2024. It also provides an update on specific areas of interest to the Committee.

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Strategic Context

In the context of the new Cabinet's priority of Connecting communities, my transport budget has been developed based on the following prioritisation:

1. Maintain rail services and complete CVL.
2. Improve the safety and resilience of the SRN by an additional 100km of roads in poor condition (potholes) and progressing with major asset renewal.
3. Develop bus services, fleet, and infrastructure for franchising.
4. Continue to support development of Regional Transport Plans and delivery of local schemes.

In ensuring that the FM's priorities, there is an overall increase of £33m revenue over 24/25 (excluding approximately £32m additional A465 MIM commitments to be covered by central funding and £5m Local Government borrowing initiative). On the capital side, there is an increase of £51m to support the completion of the CVL, improve the SRN, and maintain grants to local authorities.

Resource

The changes made from the 2025-26 Indicative Final Budget in Feb 2024 (restated to account for portfolio changes are as follows:

Resource Movements	Plans as per 2024-25 Final Budget Restated September 2024	Changes	2025-26 Draft Budget December 2024
	£'000	£'000	£'000
Fiscal Resource			
3830 - Strategic Infrastructure Development	950	0	950
Motorway and Trunk Roads Operations	59149	58758	117907
1884 - SRN Contractual Payments	9681	48176	57857
1885 - SRN Operations & Renewals	49468	10582	60050
Road, Rail, Air and Sea Services	391549	-6749	384800
1883 - National & International Connectivity	4172	-72	4100
1890 - Frontline Rail Services	600	-600	0
1895 - Rail Service Support	386777	-6077	380700
Sustainable Travel	125202	22298	147500
1880 - Bus Service Support	123337	9163	132500
1882 - Regional Transport & Active Travel	0	7800	7800
2030 - National Policy Development and Projects	1865	5335	7200
1892 - Road Safety	5000	-5000	0
1250 - Armed Forces	20	350	370
	581870	69657	651527
Non-Fiscal Resource			
1886 - Network Operations Non-Cash	188691	0	188691
1886 - Transport for Wales Non-Cash	38000	0	38000
	226691	0	226691
TOTAL RESOURCE BUDGETS	808561	69657	878218

The main changes relate to the following:

- BEL1884 – Additional funding re contractual A465 MIM project and additional allocation for roads management
- BEL 1885 – Additional allocation for roads maintenance
- BEL 1895 – Additional allocation for TfW rail services/BEL 1890 merged
- BEL 1880 – Additional allocation for statutory bus support
- Restructuring BELs 1882, 2030 and 1892/Additional funding for government borrowing initiative
- BEL 1250 – Support for Armed Forces Liaison Officers

Capital

The changes made from the 2025-26 Indicative Final Budget in Feb 2024 (restated to account for portfolio changes are as follows:

Capital Movements	Plans as per 2024-25 Final Budget Restated September 2024	Changes	2025-26 Draft Budget December 2024
	£'000	£'000	£'000
3830 - Strategic Infrastructure Development	5000	0	5000
1885 - SRN Operations & Renewals	185300	1100	186400
1895 - Rail Service Support	95497	86100	181597
<i>Sustainable Travel</i>	188000	-32200	155800
1880 - Bus Service Support	68000	-37000	31000
1882 - Regional Transport & Active Travel	40000	80000	120000
2030 - National Policy Development and Projects	80000	-75200	4800
1892 - Road Safety	4000	-4000	0
TOTAL CAPITAL BUDGETS	477797	51000	528797

The main changes relate to the following:

- BEL 1895 - Additional for rail infrastructure/Core Valleys Lines
- BEL 1880 – Adjusted profile for bus infrastructure
- Restructuring and BELs 1882, 2030 and 1892

Cross cutting themes

Preventative Spend

These budget proposals reflect my continuing commitment to protect and prioritise investment that supports preventative measures as far as possible. Value for money and clarity over how we use our resources effectively is central to delivering our priorities. Once expenditure is planned in line with priorities, we have well-established processes in place to ensure that resources are used effectively for the purposes intended.

Specific metrics are used to evaluate support programmes, as set out in the Wales Transport Strategy for example.

The assessment and value for money is referenced below.

Evidence-based policy making

Evidence from a wide range of sources underpins our financial decisions such as published research, engagement with stakeholders, previous policy evaluations and statistics. This is embedded in decision making with some examples as follows:

Transport for Wales update and publish on our behalf monitoring and evaluation data for the Wales Transport Strategy that is used to track progress against achieving the priorities and ambitions and identify any areas where further interventions may be required to meet our targets. This is part of the broader work that the analytical unit in TfW carries out on behalf of the Welsh Government to support the assessment of policies and schemes to deliver our shared ambitions and statutory duties using bespoke data collection and synthesis and Wales-wide transport models.

Well-being of Future Generations Act

My draft budget preparations show how I have sought to reflect the framework of the Wellbeing of Future Generations Act in setting our spending priorities. Current trends and future projections have been considered and their potential impacts in the short, medium and longer term.

Equality, Welsh language and children's rights assessment

As part of the Draft Budget, I have taken an integrated approach to impact assessments, as well as considering the impact of decisions and policies on social, economic, cultural and environmental well-being, as set out within the Well-being of Future Generations (Wales) Act, which continues to be an important driver guiding our Budget considerations.

My Budget sets out the impacts of spending decisions, including highlighting spending decisions that directly impact on our stakeholders. This is complemented by the Strategic Integrated Impact Assessment (SIIA), outlining the strategic evidence and impacts that have supported spending decisions.

Legislation

Legislation will be introduced next year which will reform the way bus services are provided, allowing public bodies to work together to plan and deliver the local bus network people need in Wales. This legislation will not have any significant budget implications in 2025/26, though there is an increase in the bus budget to help maintain the existing network ahead of bus reform beginning in 2027.

Climate Change

The draft Budget supports my focus on decarbonising transport in line with our Net Zero Wales policies. Investments in electric vehicle charging infrastructure will support the switch to zero emission cars and vans and funding for zero emission buses will deliver cleaner and modernised services. My investments in public transport and active travel will encourage modal shift to sustainable transport modes. Revenue allocations will support the development of evidence-based carbon abatement policies for Carbon Budget 3.

Transport

1 Strategic Road Network

Revenue

a. SRN Contractual Payments (£57.857m)

I have created a new budget line to remove the operation and maintenance element of the SRN from the payments required for contractual commitments: -

- A55 DBFO Payments are continuing until 2028. The repayment is forecast to be £18m for 2025/26.
- Cleddau Tolls commitment of £3m per annum and being paid until 2039.
- A465 Section 5 & 6 MIM Annual Service Repayment cost of £36.857m

All the above are committed contractual obligations.

b. SRN Network Operations and Renewals (£60.050m)

The total SRN revenue requirement is £81.230m in 25/26 (excluding repayments for A465 MIM). This increase reflects the significant maintenance backlog and the FM's priority to fix roads.

The funding is required to undertake the day-to-day operation and maintenance for the SRN across Wales. Costs cover the statutory duties under the Welsh Government Trunk Road Maintenance Manual, the arrangements under the Welsh Government Managing Agent Agreement for the two trunk road agents along with the Welsh Government Traffic Officer services which operates on key high-flow routes in north and south Wales.

Capital

c. SRN Operations and renewals (£186.4m)

The uplift in revenue allows for more efficient use of capital budgets and will support a significant uplift for maintenance of the Strategic Road Network (SRN), needed to meet the Welsh Ministers' statutory commitments. As part of this I am creating a road improvement fund that will allow the improvement of up to 100km of the network (reducing and preventing potholes) and is the first step in addressing the road condition backlog.

2 Transport Strategy and Policy

I have re-organised the budgets which support local authority transport investment and our national transport policies. This affects the budget lines previously described as 'Local Transport Priorities', 'Sustainable and Active Travel' and 'Road Safety'. In future, the 'Regional Transport and Active Travel' budget line will cover investment by local authorities and Transport for Wales to support the delivery of the Regional Transport Plans, which are currently being developed by Corporate Joint Committees. The 'National Policy Development and Projects' budget line will cover spending on national transport policy.

Revenue

a. National Policy Development and Projects (£7.2m)

Next year, I am increasing the transport strategy-rated revenue budget allocation from £6.9m to £7.2m to enhance the resources available for road safety, decarbonisation, policy and evidence.

b. Regional Transport (£7.8m)

Funding for Regional Transport includes £2.8m of funding for local authorities to carry out road safety training and for the Corporate Joint Committees to continue work on Regional Transport Plans.

Over the past two financial years, we have awarded each Corporate Joint Committee (CJC) £225,000 towards development of the Regional Transport Plans. CJs have made good progress on their RTPs and are due to consult in early 2025. Funding for Regional Transport will allow a further contribution towards the work of the CJs on their Regional Transport Plans.

An additional £5m resource funding is being allocated to the Transport MEG in 25-26 for a local government borrowing initiative to enable Local Authorities to borrow up to £60m to combat potholes and support other maintenance on their local road networks.

Allocations for LA grants are dependent on the applications received for local authorities, which are due to be submitted by 20 December and will be assessed in early 2025. The latest information (spend and current year allocations) for all grant schemes apart from the Active Travel Fund (which is covered separately) is shown below:

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Local Transport Fund – capital	53,011,591	48,622,595	17,635,108	20,944,956	23,065,289	Share of c£100m
Local Transport Network Fund – capital	3,686,410					
Resilient Roads Fund – capital	18,836,877	17,933,248	4,600,474	7,392,692	9,073,000	Share of c£100m
Unadopted Roads – capital		1,307,172		458,328		Share of c£100m
Covid 19 – capital	12,743,431	1,030,000				
Ultra Low Emissions Transformation Vehicle Fund – capital			1,593,784	6,678,336	6,589,213	Share of c£100m

Road Safety – capital	3,925,722	2,770,002	1,024,138		3,553,177	Share of c£100m
Road Safety – revenue	628,520	2,028,539	1,326,091	1,630,356	1,597,645	Up to £2m
20MPH – capital		435,673	7,913,628	21,318,995	7,432,131	Share of c£100m
20MPH – revenue		1,365,372				
Total	92,832,551	9,436,575	34,093,223	58,423,663	51,310,455	TBC

Active Travel spend (current year allocations) - all						
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Total £	49,717,860	64,007,369	56,970,829	59,658,715	65,282,338	TBC
Population*	3,169,586	3,131,640	3,131,640	3,131,640	3,131,640	3,131,640
Total per capita	£15.69	£20.19	£18.19	£19.05	£20.85	TBC

EV charging infrastructure

Final plans for EV charging infrastructure in 2025-26 are still being finalised. These will include completing phase 1 of EV infrastructure installation at railway stations and beginning phase 2. They are also likely to include a training programme to upskill LA staff, annual maintenance of existing infrastructure on the strategic road and railway network and work to identify target areas for EV installations using an evidence-based approach.

Funding in previous years for the Ultra Low Emissions Vehicle Transformation Fund and other local authority grants are shown below.

LA capital grant allocations						
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Ultra Low Emissions Transformation Vehicle Fund	Nil	Nil	1,593,784	6,678,336	6,589,213	Share of c£100 m
Local Transport	53,011,591	48,622,595	17,635,108	20,944,956	23,065,289	Share of c£100 m
Resilient Roads Fund	4,141,501	6,554,231	3,458,343	4,727,367	6,149,338	Share of c£100 m
Unadopted Roads	Nil	1,307,172	Nil	458,328	989,487	Share of c£100 m
Road Safety Grant	3,925,722	2,770,002	1,024,138	Nil	3,553,177	Share of c£100 m
20MPH Implementation	Nil	435,673	7,913,628	21,318,995	7,432,131	Share of c£100 m

3 Public Transport

Transport for Wales

The allocations in the draft budget are based on the first draft of TfW's forecasts for 25-26 developed over the summer. This is the earliest that we have received TfW's initial top-down estimate of forecast future year costs and is the result of significant efforts across both organisations to align budget-setting processes. Further work has been undertaken since then and two challenge sessions with TfW's executive team are scheduled in early December to further interrogate and challenge cost and income assumptions. Full budget documentation will be revised and provided to WG in early January. It would be premature, therefore, to provide a more detailed breakdown of TfW's full budget allocation for 25-26 but we will share any available information in advance of the CCEI scrutiny session in January.

Revenue

a. Rail Service Support (£380.700m)

Following agreement with HM Treasury, there has been an increase in this year's rail budget of £18.72m to support the operation, maintenance, and renewal of the CVL. Once this increase has been accounted for and following ongoing significant scrutiny and challenge of the TfW budget, there will be a reduction of £7.7m in the revenue budget to support rail operations, including those related to the South Wales Metro. This includes a circa £10m challenge to TfW to reduce costs and increase revenues. [Following the incident on the rail network at Talerddig, although there is currently no indication that additional funding will be required, there is a possibility of consequences for the cost of maintaining or replacing rolling stock.]

The revenue funding that I have allocated allows for the delivery of the Wales and Borders Rail franchise by TfW on behalf of Welsh Ministers. As part of this TfW will continue delivering on our Programme for Government commitments. They will finish delivering the brand-new rolling stock, which is already providing new, faster, and more comfortable trains as well as increasing the resilience of the services which are operated by the rail franchise thus improving performance for customers.

b. Bus Service Support (£132.5m)

Appropriate levels of funding for bus networks are key as we plan for bus franchising through the forthcoming Bus Bill, to ensure that services are not lost. The bus budget has remained cash flat for some years, but I am now able to allocate an additional £9m to mitigate additional costs of services, and the demand-led concessionary fares scheme.

In 2024-25 the Bus Network Grant was established to fund local authorities to secure the services they deem socially necessary. This funding scheme sits alongside the longstanding Bus Services Support Grant. These will both continue in 2025/26, as will support for the Community Transport sector. I will also continue to provide funding to Transport for Wales for preparatory work for franchising, the management of the TrawsCymru network, Fflecsi services, the provision of timetable information through Traveline Cymru.

Capital

c. Rail Service Support (£181.597m)

Our continued investment in the Core Valley Transformation Project will deliver a truly modern rail network, that operates 100% clean electric trains on the infrastructure we own. It will change the way people travel by improving journey times and service frequency, encouraging more people to use the railways. Furthermore, the investment makes a significant contribution to our PfG commitment to make the public transport system more accessible to disabled people by ensuring stations have step free access and improved access on the new rolling stock. My priority therefore is to support the completion of the transformational CVL project, and I have allocated £181.6m to the rail capital budget (including non-CVL elements).

d. Bus Service Support (£31m)

I am supporting further phasing of bus capital budgets through a £31m allocation next year, including the purchase of new buses. This has allowed the prioritisation of Cabinet's priorities.

4 National and International Connectivity

Revenue

a. National and International Connectivity (£4.1m)

The aviation budget has been renamed the National and International Connectivity budget to reflect my planned allocations to support freight, marine, data collection, and analysis, as well as ongoing work on the future of Cardiff Airport.

5 Armed Forces

Revenue

a. Armed Forces (£0.37m)

I have increased the Armed Forces budget next year to continue to support for Armed Forces Liaison Officers and Wales Armed Forces Day.

Further evidence to the CCEI Committee on Transport for Wales' (TfW) 2025-2026 budget allocations

The allocations in the draft budget are based on the first draft of TfW's forecasts for 2025-2026 developed over the summer. This is the earliest that we have received TfW's initial top-down estimate of forecast future year costs and is the result of significant efforts across both organisations to align budget-setting processes.

Further work has been undertaken since and challenge sessions with TfW's executive team took place over 2 days in early December to further interrogate and challenge cost and income assumptions in the second version of their budget. The outcome of these sessions will inform a further iteration of the budget in January before the Welsh Government's annual funding letter is published alongside TfW's business plan for 2025-26 in advance of the start of the financial year.

It should be noted that up to last financial year, funding for the operations, maintenance, and renewal (OMR) of the CVL network was funded via transfers from the DfT to the Welsh Government's transport budgets. Following the end of this interim arrangement, this funding was for the first time this financial year included in the Welsh Government's block grant and have been subsequently included in the WG's transport revenue and capital budgets this year.

Revenue Budgets

TfW Revenue BEL Allocation (£m)		
Budget Expenditure Line		25/26 Budget
Rail Service Support	1895	380.2
Bus Service Support	1880	13.0
National & International Connectivity	1883	2.1
Total		395.3

Rail Service Support - BEL 1895

Following this increase in the budget this financial year, next year's budget is broadly flat (following the reallocation of some items to BEL 1883 described below). This follows detailed scrutiny of TfW's forecast budget and a £10m challenge placed on TfW to increase fares revenue and reduce costs compared with initial forecasts. Experience this year has suggested that setting realistic but stretching budget targets promotes prudent financial management and commercial practices and an even greater commitment and culture of increasing revenues and reducing costs. The values in this table do not include the additional forecast funding allocation from the UK Government of around £20.2m for track access charges and England-only services which have yet to be finalised.

Next financial year will see the bulk of the work completed on the CVL transformation, associated trains operational, and new turn up and go services offered. As a result, we expect the subsidy requirement to reduce in future years.

Bus Service Support – BEL 1880

This funding will support Transport for Wales in their preparatory work for franchising, funding for and management of the TrawsCymru network, Fflecsi services, and the provision of timetable information through Traveline Cymru.

National & International Connectivity – BEL 1883

Funding for TfW's analytical unit and secondees programme that both support work across the transport portfolio will be allocated from the National and International Connectivity budget. These items were previously funded through the rail support budget.

Capital Budgets

TfW Capital BEL Allocation (£m)		
Budget Expenditure Line		25/26 Budget
Rail Service Support	1895	181.6
Bus Service Support	1880	31.0
Regional Transport and Active Travel	1882	TBC*
SRN Operations and Renewals	1885	1.6
Total		TBC

*The total available funding for local authority grants has been maintained at 24-25 levels but the value of active travel grants, which are managed and monitored on the Welsh Government's behalf by TfW, has yet to be finalised.

Rail Service Support – Rail – BEL 1895

£181.6m has been allocated next financial year to rail capital, which includes continued investment to transform and maintain the Core Valley Lines, and the ongoing delivery of new planned rolling stock to operate across the network.

Bus Service Support - BEL 1880

The bus capital budget will be used to support preparations for franchising including the purchase of replacement buses and associated infrastructure, including the establishment of a hydrogen bus pathfinder project. This will support cost effective and attractive bus services and also contribute towards decarbonisation of the transport network.

Regional Transport and Active Travel

This BEL includes funding for local authorities and Transport for Wales to develop and deliver local schemes. The total available funding for local authority grants has been maintained at 2024-2025 levels. Grant schemes include the Active Travel Fund, the Local Transport Fund, the Resilient Roads Fund, EV charging infrastructure, Safe Routes in Communities and Road Safety. The value of active travel grants, which are managed and monitored on the Welsh Government's behalf by TfW, has yet to be finalised and will be based on the strength of applications from local authorities, taking into account the views of CJs in advance of the devolution of decision-making through regional transport plans in the future.



Climate Change, Environment and Infrastructure Committee

Evidence paper on Draft Budget 2025-26 – Economy, Energy and Planning Main Expenditure Group (MEG)

08/01/2025

This paper provides information to the Climate Change, Environment and Infrastructure (CCEI) Committee on the Economy, Energy and Planning Main Expenditure Group (MEG) proposals outlined in the draft Budget 2025-26, published on 10 December 2024. It also provides an update on specific areas of interest to the Committee.

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1. General

Budget Priorities

The table below provides an overview of the Energy, Cardiff International Airport and Planning budget expenditure lines within the Economy, Energy and Planning MEG plans as published in Draft Budget 2025-26 on 10 December. This confirms an increase in fiscal resource (revenue including non-cash) of £8.9m and no changes to capital compared to the 2025-26 revised baseline.

The baseline used for the 2025-26 Draft Budget is the 2024-25 Final Budget (restated September 2024) adjusted for recurring baseline adjustments for 2024-25 to support 2024-25 public sector pay award and increases to pension contributions from April 2024 due to a change in rate called Superannuation Contributions Adjusted for Past Experience (SCAPE). There are further baseline adjustments associated with non-recurrent funding for Financial Transactions (FT) Capital.

Our funding decisions in this draft budget have been underpinned by our government priorities. How we deploy our resources is key for maximising delivery. Our priorities for Economy, Energy and Planning are clear: We want to create green jobs that grow the economy, tackle the climate crisis and restore nature, while making families better off; and accelerate planning decisions to grow the Welsh economy.

RESOURCE BUDGET			£'000				
Action	BEL No.	BEL Description	Plans as per 2024-25 Final Budget Restated September 2024	Baseline Adjustments for 2025-26	2025-26 Revised Baseline	Changes	2025-26 Draft Budget December 2024
Energy Efficiency	1280	Green Energy	3,297	10	3,307	5,150	8,457
	3772	Ynni Cymru	2,470	0	2,470	0	2,470
	Total Energy Efficiency		5,767	10	5,777	5,150	10,927
Cardiff International Airport	1240	Cardiff International Airport	-3,000	0	-3,000	0	-3,000
	Total Cardiff International Airport		-3,000	0	-3,000	0	-3,000
Planning and Regulation	2256	Planning and Environment Decisions Wales	2,997	71	3,068	1,900	4,968
	2250	Planning & Regulation Expenditure	1,999	6	2,005	1,841	3,846
	Total Planning and Regulation		4,996	77	5,073	3,741	8,814
Total Resource Budget			7,763	87	7,850	8,891	16,741
CAPITAL BUDGET			£'000				
Action	BEL No.	BEL Description	Plans as per 2024-25 Final Budget Restated September 2024	Baseline Adjustments for 2025-26	2025-26 Revised Baseline	Changes	2025-26 Draft Budget December 2024
Energy Efficiency	1280	Green Energy	17,200	-4,800	12,400	0	12,400
	3772	Ynni Cymru	10,000	0	10,000	0	10,000
	Total Energy Efficiency		27,200	-4,800	22,400	0	22,400
Cardiff International Airport	1240	Cardiff International Airport	1,783	0	1,783	0	1,783
	Total Cardiff International Airport		1,783	0	1,783	0	1,783
	Total Capital Budget		28,983	-4,800	24,183	0	24,183

To support our priorities, we have prioritised funding for 2025-26 in this budget:

- An **additional £5m** is allocated to support our green energy, to enable development of new renewable energy projects and local energy projects in Wales. This investment will help support emission reduction across Wales and support growth in our local economy.
- Accelerating infrastructure planning decisions are key to enable the economy to grow and thereby we are investing an **additional £3.741m** in this area. The additional funding will provide Planning and Environment Decisions Wales and Planning Directorate with the resources necessary to increase capacity to deal with the growing number of infrastructure application in a timely way.
- Our funding for the Welsh Government Energy Service provides critical advice and support to public bodies as they work towards our shared ambition of a net zero Welsh public sector by 2030.

A detailed explanation of how the draft budget reflects commitments made in prior financial years [with reference to the Committee's report on the 2024-25 draft budget]—

We have taken into consideration the recommendations in the Committee's report from the Draft Budget 2024-25, and we continue to prioritise actions that support the scaling up of renewable energy in Wales to achieve our renewable energy targets. This includes action we are taking to deliver the renewable energy deep dive recommendations. Specifically in 2025-26 we will work with the renewable sector to deliver a sector deal in line with one of the recommendations from the deep dive. This sector deal will outline commitments from government and industry to deliver on our targets in a way that delivers greater benefits to Wales. Bringing together the Economy, Energy and Planning responsibilities under one umbrella will ensure that we have oversight of the key policy tools to deliver on our renewable energy ambitions for Wales.

Our budget also secures additional funding for Trydan Gwyrdd Cymru to deliver large scale renewable energy projects on the Welsh Government woodland Estate. Our public sector led approach will make a significant contribution to our aims to deliver more Welsh ownership of renewable energy investment in Wales. We have set Trydan Gwyrdd Cymru with a target to deliver 250MW of new capacity by 2030 and a further 750MW by 2040. With the company now formally launched, we have a framework agreement in place and the company have an independent board to provide oversight to their operations.

Information on the impact of UK Government fiscal and policy decisions on budget allocations—Benefits for Wales arising from UK Government fiscal decisions and policies [including the UK National Wealth Fund]

We welcome the focus from the new UK Government on energy and the clean power 2030 Mission to create greater energy security and create jobs and green growth. As part of the drive to accelerate the delivery of new renewable energy projects the UK Government is establishing Great British Energy. Great British Energy will support new investment across Great Britain utilising funding available from the UK National Wealth Fund. We are working with Great British energy to work in partnership to accelerate delivery in Wales using our established delivery functions including Trydan Gwyrdd Cymru and Ynni Cymru.

There has been positive engagement between the new UKG Government including early meetings with the Prime Minister, Secretary of State for Wales and Secretary of State for Business and Trade which demonstrates a clear commitment to work together to deliver on a few of our shared ambitions to deliver growth and jobs in Wales.

UKG published a Green Paper on an Industrial Strategy and Welsh in October. This sets out a 10-year plan aiming to encourage growth and create jobs by providing businesses with the stability and certainty they need to invest. It will deliberately target growth-driving places and sectors and aims to remove the barriers to growth across the economy. At an official level there has been positive early engagement with UKG with respect to developing the Industrial Strategy which has focused on the comparative strengths of Wales at a UK level. A UKG workshop with officials took place on the 19 November and we are currently gathering intelligence to inform our response which will align with the four priorities outlined within the Economic Mission.

The future development of 'green steel' in and around the Port Talbot area we believe can and should play a significant to deliver long-term, sustainable, inclusive, and resilient growth. We intend to put forward a strong argument to that effect within our response to the UKG. In addition, we will also be highlighting the potential for a range of subsectors within clean energy sector which we believe can play an important role in future years.

However, while engagement has been positive with respect to the Industrial Strategy, there is still a lack of clarity about future funding to support delivery, with uncertainty on detail in areas such as the National Wealth Fund and the Shared Prosperity Fund. The National Infrastructure Bank under its new name the 'National Wealth Fund' will be provided with an additional £5.8bn (making a total of £27.8bn). Both the UKIB and the British Business Bank would be 'aligned' under the fund. This will be followed by further changes made via legislation which will seek to widen the funds remit. Officials are working closely with UKG to

understand how the fund will work in practice and its relationship with other institutions such as Great British Energy and the Development Bank for Wales.

2. Legislation

How the draft budget provides for delivery of newly enacted and planned Welsh Government legislation–

There is no newly enacted or planned Welsh Government legislation for the 2025-26 Draft Budget within my responsibility relevant to this Committee.

3. Climate Change

Delivery of the policies and proposals in the Net Zero Wales plan

This budget supports the delivery of activity to decarbonise the energy system in Wales to ensure we remain on track to meet our statutory targets to reach net zero by 2050. We have recently published consultations on our policy on carbon capture, use and storage and hydrogen in Wales. Our vision for the future of industry and energy generation in Wales is one in which sustainable industries are retained in Wales and continue to generate high-quality jobs and other benefits for the communities in which they operate. Our proposed policy highlights that we will support Carbon Capture and Storage (CCS) and hydrogen projects where they make a clear, measurable and sustained contribution to decarbonisation or the transition away from fossil fuels in Wales. Our budget decisions will support the implementation of our CCS and hydrogen policies including through updating Planning Policy Wales.

The Welsh Government has led activity across all local authorities in Wales to develop Local Area Energy Plans (LAEPs). These plans show the actions that need to be taken across all local authorities in Wales to achieve net zero by 2050. We will continue to provide resources across the regions to implement the actions set out in the Local Area Energy Plans and bring forward the scale of investment that those plans identify. We will provide capital funding through this budget to support the early implementation of activity identified in the LAEPs. We have invested revenue funding of £0.650m in 2025-26 to develop these Energy plans.

In 2024 we published a heat strategy for Wales. Our heat strategy sets out a pathway to decarbonising heat in domestic and industrial settings to achieve net zero and demonstrates how we can reach the ambition for a net zero public sector by 2030. It sets a vision for clean affordable heat in Wales. Alongside the strategy we also published Mine Water Heat Opportunity maps to inform local authorities and developers who wish to explore the opportunities for mine heat in Wales. We will continue to help support opportunities to decarbonise heat in line with our heat strategy by providing capital funding to deliver local heat decarbonisation investment across Wales.

4. Energy and energy efficiency

Delivery of renewable energy and public sector energy efficiency programmes[including speciāc allocations for the Welsh Government Energy Service[Ynni Cymru[Community Energy Wales and Trydan Gwyrdd Cymru–Other allocations to support the delivery of renewable energy targets–

We continue in the 2025-26 budget to prioritise the delivery of renewable energy generation in Wales to support our targets to generate enough renewable energy in Wales to meet the equivalent of our electricity needs by 2035. We have invested an additional £4.5m revenue funding to support **Trydan Gwyrdd Cymru** and have prioritised the activity to retain benefit and value in Wales from projects developed by our renewable energy company. Our funding will continue to support the company and fund the development work on the five priority sites for Trydan. These projects will aim to generate 500MW of new generation, enough to power 400,000 homes. Trydan will continue to develop these projects working with our communities to understand how we can deliver local benefits.

Alongside Trydan Gwyrdd Cymru we have continued to prioritise in this budget the delivery of Ynni Cymru. **Ynni Cymru** supports the scaling up of community renewable energy projects to develop smart local energy solutions to better match local supply to local demand. Building on the success of the £10m capital fund in 2024-25, we have maintained funding at £10m to support further investment through Ynni Cymru to invest in local projects that will support the decarbonisation of our homes, businesses and communities across the whole of Wales.

We have committed to working with industry to develop a renewable energy sector deal. The aim of a sector deal is focused on removing barriers and working closely with industry on maximising the value of benefits of renewable energy projects in Wales. Our budget will support the work to agree a deal with industry in 2025-26.

The investment in the **Welsh Government Energy Service** supports our ambition to have a net zero public sector in Wales by 2030 and forms a key part of our work in the Climate Change and Rural Affairs portfolio. The service helps public sector organisations develop decarbonisation plans which not only reduce their carbon footprint but also deliver cost savings to the public purpose through energy efficiency. A budget of £21m has been allocated to deliver both loans and grants for continued investment in energy efficiency and renewable energy within the public sector. Details of the Welsh Government Energy Service allocation can be found in evidence provided by the Deputy First Minister and Cabinet Secretary for Climate Change & Rural Affairs at the Climate Change, Environment and Infrastructure Committee.

We continue to support the community energy sector in Wales including through our work with **Community Energy Wales** and the Welsh Government Energy Service. We have also prioritised funding for Ynni Cymru with £2.47m revenue and £10m capital in 2025-26. Ynni Cymru will continue to support the scaling up of community renewable energy projects in Wales working with Community Energy Wales and other strategic stakeholders in Wales.

Policies and programmes to support decarbonisation in the housing sector[including allocations for the Optimised RetroFit Programme[the Warm Homes Nest Scheme and the Green Homes Wales Scheme

Policy responsibility for this activity rests with the Cabinet Secretary for Housing and Local Government and evidence will be provided by the Cabinet Secretary as part of her evidence to the Committee.

5. National Infrastructure Commission for Wales (NICW)

Details of budget allocations for the NICW

An additional £3.741m revenue funding has been invested in the 2025-26 budget to deliver the First Minister's priority to accelerate infrastructure planning decisions. £0.400m of the budget within the Planning and Regulation BEL will be used to support of the National Infrastructure Commission.

6. Ports and Airports

How the draft budget will support the development of Welsh maritime and sea ports—Specifically any allocations to support the implementation of a long-term strategy for Cardiff Airport in the 2023 draft budget [how this will be monitored to ensure it provides value for money and whether there are any plans for in-year allocations in the current 2023 financial year to support the strategy—

The draft budget will support developing a Maritime Ports strategy for Wales before the end of this Senedd term. The intention is to develop this alongside the new logistics and freight plan for Wales - another commitment under the Wales Transport Strategy - given the significant interdependencies between the sectors.

In response to any allocations to support the implementation of a long-term strategy for Cardiff Airport. The Competition & Markets Authority's (CMA) assessment of the Welsh Government's proposed long-term investment in Cardiff Airport was published on 2 October. I issued a Written Statement in response on the same day.

The Welsh Government is not going to comment on the detail of the CMA report at this stage. As per the Written Statement, we are now taking the time needed to give full consideration to their assessment. The Welsh Government remains open to refining the proposed programme of investment on the basis of that assessment and the representations made to the CMA by interested third parties. Once we have concluded our work in response to the CMA's report, and Cabinet Secretaries have taken a final decision on what form any investment package should take, I will update the Senedd.

Allocations for the proposed long-term package of investment for Cardiff Airport will be made once Cabinet Secretaries have decided on how they would like to proceed, in the light of the Competition & Markets Authority's feedback on the proposed investment.

7. Summary

The plans for the budget expenditure lines relevant to this Committee, within the Economy, Energy and Planning MEG for Draft Budget 2025-26 is presented to the Committee for consideration.

Rebecca Evans

Cabinet Secretary for Economy, Energy and Planning