

Memorandum on the Climate Change Draft Budget Proposals for 2024-5

Climate Change, Environment and Infrastructure Committee – 25th Jan 2024

This paper provides information on the Climate Change budget proposals as outlined in the 2024-25 Draft Budget published on 19 December 2023. It also provides an update on specific areas of interest to the Committee.

Strategic Context

The table below provides an overview of budgets for the Climate Change MEG published in the draft Budget 2024-25

CLIMATE CHANGE - SUMMARY	2023-24 Final Budget Feb 2023 Restated	2024-25 Indicative Final Budget Feb 2023 Restated	Budget Reductions / Allocations	2024-25 Changes	2024-25 Draft Budget December 2023
Resource	1,165,687	1,187,687	-78	28,398	1,216,007
Capital	1,766,278	1,665,393	0	-33,327	1,632,066
Total Resource & Capital	2,931,965	2,853,080	-78	-4,929	2,848,073
Total AME	57,477	-60,295	0	-2,871	-63,166
CLIMATE CHANGE - TOTAL BUDGET	2,989,442	2,792,785	-78	-7,800	2,784,907

Resource

The changes made from the 2024-25 Indicative Final Budget in Feb 2023 (restated to account for portfolio changes) are as follows:

£000	2024/25 Changes
Budget Reductions	(150,078)
Budget Allocations	150,000
Transfers from reserves	28,398
Total	28,320

The total budget allocation is represented by the pressure faced on rail services by Transport for Wales. Of the £150.078m of savings which fund, or reduce the pressure, only £116.278m relate to budget lines relevant to this committee and are as follows:

Budget Expenditure Line (BEL)		£'000
3770	Clean Energy	(5,400)
3771	Climate Change Action	(1,900)
1893	Marine Energy	(200)
2256	Planning & Regulation Expenditure	(100)
2230	Flood Risk Management & Water Policy Delivery	(8,500)
2232	Coal Tip Safety Delivery	(700)
2817	Environment Protection	(250)
2820	Local Places for Nature	(750)
2825	Biodiversity, Evidence and Plant Health	(1,500)
2827	Forestry	(2,715)
2451	Natural Resources Wales	(24,000)
2190	Resource Efficiency and Circular Economy	(3,000)
2195	Landfill Disposals Tax Communities Scheme	(1,000)
2832	Enabling Natural Resources and Wellbeing	(3,008)
2875	Marine Policy, Evidence and Funding	(250)
1885	Network Operations	(16,855)
1883	Aviation	(1,250)
1880	Bus Support	(150)
1895	Transport for Wales	(39,250)
1890	Rail Ancillary	(250)
2030	Sustainable and Active Travel	(5,250)
	Total	(116,278)

A number of the reprofiled funding changes are in areas where there was a planned uplift in the baseline funding for a programme, where a programme was coming to an end and where historic patterns of spend have suggested possible rescoping of funding with limited impacts. Changes to planned delivery timescales have also been considered, rather than lack of delivery, as well as alternative approaches to delivery.

The transfers from reserves are result of a capital to revenue swap with the Rural Affairs MEG that was approved as recurrent and first enacted in the 2023/24 first Supplementary Budget (£23m) and an additional allocation from reserves to manage the costs of the A465 MIM (£5.2m). These changes for budget lines relevant to this committee are summarised in the following table:

Budget Expenditure Line (BEL)		£'000
1893	Marine Energy	600
2451	Natural Resources Wales	17,450
2190	Resource Efficiency and Circular Economy	148
1884	Network Asset Management	5,200
2030	Sustainable and Active Travel	5,000
	Total	28,398

Capital

The changes made from the 2024-25 Indicative Final Budget in Feb 2023 (restated to account for portfolio changes are as follows:

£000	2024/25 Changes
Budget Reductions	(37,327)
Budget Allocation from Reserves	27,000
Transfers to Reserves	(23,000)
Total	(33,327)

The transfers to reserves relate to the £23m capital to revenue swap described in the earlier Resource table showing allocation in reserves, the BEL analysis being as shown in the following table:

Budget Expenditure Line (BEL)		£'000
2820	Local Places for Nature	(4,710)
2190	Resource Efficiency and Circular Economy	(12,400)
2832	Enabling Natural Resources	(290)
1893	Marine Energy	(600)
2030	Sustainable and Active Travel	(5,000)
	Total	(23,000)

The £27m allocations from reserves represents Financial Transaction Capital allocations, £20m relates budget lines relevant to this committee, as follows:

Budget Expenditure Line (BEL)		£'000
2809	Welsh Government Energy Service	20,000

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 further down in the specific questions.

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:

Evidence continues to be gathered on the environmental impacts of problematic single-use products made from or containing plastic. This includes the Welsh Government participating in two UK wide consultations on proposals to introduce legislation to prohibit or restrict the use of plastic containing wet-wipes and single-use disposable e-cigarettes/ vapes). These exercises have allowed the Welsh Government to link into UK wide research and stakeholder engagement. This work is intended to continue to deliver on the Programme for Government to legislate to abolish more commonly littered single-use plastic items.

Underpinning the wider implementation of the Circular Economy Strategy is a range of evidence, including for example compositional analysis of waste streams to understand areas where recycling or prevention of waste could be improved (Compositional Analysis of Municipal Waste in Wales (2022) was published in July 2023); data on the performance and efficiency of Local Authority recycling and waste management operations, including measurement of the carbon impact of our recycling (Local authority municipal waste management April 2022 to March 2023 data was published on 7 December 2023); and evidence to support improved resource efficiency further up the waste hierarchy (for example surveys to provide insight into behaviours around re-use and repair and food waste) .

Our approach to deliver Net Zero Wales is focused around ensuring a just transition. To strengthen our approach, we published a call for evidence at the end of 2022. We were pleased we received 117 responses from a wide range of organisations including business, academia, third sector organisations, trade unions and community groups. A summary of the 117 responses was published in October and the information has helped to inform Welsh Government's approach to Just Transition. A consultation on our Just Transition Framework was published on 5 December 2023.

A key priority within net zero Wales has been the development of a heat strategy to set out how Wales will decarbonise heat of domestic and industrial buildings in Wales which will be essential to meet net zero. We launched our consultation on the Strategy in the summer and it closed on 8 November. The responses to that consultation will be analysed and published in a final strategy early in 2024.

Our work on energy planning has produced a granular evidence base in the hands of local authorities that will support prioritisation and development of projects across Wales that can deliver climate and economic benefits. This evidence can support policy development and delivery across the areas of heat, transport and the built environment and can leverage in external investment in energy networks.

Transport for Wales update and publish on our behalf monitoring and evaluation data for the Wales Transport Strategy that will be 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 our behalf to support the assessment of policies and schemes to deliver the Welsh Government's 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. We reviewed current trends and future projections and their potential impacts in the short, medium and longer term. We did this to ensure, as far as possible, that short term responses do not have longer term detrimental impacts.

The Circular Economy Strategy, *Beyond Recycling*, has been recognised as a WFG exemplar in the way in which the well-being of future generations goals and ways of working underpin the actions and their implementation. For example, on work to support the redistribution of surplus food to benefit families and communities, including those living in poverty; and the re-use and repair programmes and initiatives across Wales are supporting people to live more sustainably and reduce costs in the cost of living crisis, whilst also providing opportunities to acquire new skills.

Equality, Welsh language and children's rights assessment

As part of the Draft Budget, we 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.

Our Budget sets out the impacts of our 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 our spending decisions.

Budget Structure

Summary of Budget Allocations and Changes

A breakdown of the 2024-25 draft budget by Spending Programme Area (SPA), Action and Budget Expenditure Line (BEL), both revenue and capital, along with 2023-24 Final Budget allocations as a comparison. A narrative description of the policy areas funded through each BEL.

Annex A provides the full BEL tables for the Climate Change portfolio as published as part of the draft budget.

Responses to Specific Questions

Legislation

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

Work continues on delivering the Welsh Government's Programme for Government commitment to legislate to abolish more commonly littered single-use plastic items. On 30 October 2023 the first phase of commencement of the products listed in Table 1, Schedule 1 of the Environmental Protection (Single-use Plastic Products) (Wales) Act 2023 (the Act) began. Work will continue during 2024/25 to commence the bans and restrictions on the remaining three products (plastic carrier bags, products made of oxo-degradable plastic and polystyrene lids for cups and food containers). The Act also identifies two priority products for further consideration with a joint UK wide consultation already undertaken in relation to plastic containing wet wipes. Evidence will also be sought in relation to sauce sachets. Wider legislative work will also be undertaken during 2024/25 in relation to disposable single-use vapes.

Development of legislation to support a Deposit Return Scheme and Extended Producer Responsibility

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. (see further detail below – in response to request relating specifically to development and delivery of these schemes)

Delivery of Workplace Recycling Regulations

The draft budget provides for the work associated with the delivery of the Workplace Recycling Regulations that will come into force 6 April 2024, supporting activities required for successful implementation, regulation and monitoring of the new requirements. Evidence will also be gathered and reviewed with regards to the future phasing in of the requirement to separate out additional materials such as all textiles, small electricals and flexible plastics for recycling.

The proposed Disused Tips (Mines and Quarries) Bill:

The coal tip safety revenue budget settlement includes costs for the scoping and design of a national asset register, and for the recruitment of the Board for the new supervisory authority, including the initial running costs during the financial year 2024/25. Whilst it is not anticipated that the body will go live during this financial year, the budget for 2024-25 also includes funds for a Welsh Government team to establish the new public body.

A full Regulatory Impact Assessment is near completed as required prior to the introduction of the Disused Tips (Mines and Quarries) Bill, which will provide detailed costings for the establishment of the new public body (including staffing) and implementation of the new regime. Assumptions such as pay inflation and pay rises have been built into this work.

The Environment (Air Quality and Soundscapes)(Wales) Bill

The Bill was passed by the Senedd at the end of November. It is currently awaiting Royal Assent. It's provisions include: strengthening the Welsh Ministers' powers to set air quality targets; placing duties on Welsh Ministers to promote awareness of air pollution and ways of reducing or limiting air pollution; strengthening the legislative framework for local air quality management and the national air quality strategy; enhancing smoke control legislation; extending Welsh Ministers' existing powers in relation to road user charging and vehicle idling, and placing a new duty on Welsh Ministers to prepare and publish a national soundscapes strategy.

The Noise and Soundscape Plan for Wales 2023-2028 published on 4 December 2023 will discharge the Welsh Ministers' obligation under the Bill to prepare and publish a strategy containing their policies with respect to the assessment, management and design of soundscapes in Wales. In light of the current constraints and pressures on public finances, this first national strategy on soundscapes neither announces significant new government spending nor assigns costly actions to other public bodies. Rather it seeks to maximise opportunities for better, more integrated decision-making across all relevant policy areas and organisations, to achieve appropriate soundscapes going forward.

An Explanatory Memorandum, including a Regulatory Impact Assessment, was published when the Bill was introduced and has been updated throughout the scrutiny process. The Regulatory Impact Assessment sets out the estimated costs and benefits of the Bill's provisions.

The Bill has been developed during a time of fiscal challenge. This challenging fiscal context is likely to remain ongoing. Specific funding will support implementation of the Bill, including for the new duty relating to promoting awareness of air pollution. As set out by both the Minister for Climate Change and the Deputy Minister for Climate Change during the Bill scrutiny process, we will need to make important evidence-based decisions regarding the scale and timing of the implementation of some of the secondary legislation that arises from the provisions of the Bill. For example, for the new air quality targets and associated monitoring arrangements, the Regulatory

Impact Assessment contains ranges of costs. Decisions will need to be made in the context of spending plans for future budget rounds, whilst complying with the time limits set out in the Bill for the making of certain regulations.

Bill on Environmental Governance and Biodiversity Targets

A white paper is due to be launched for the EG&BT bill in January 2024. A draft Regulatory Impact Assessment is currently in development to accompany the white paper. This will provide initial estimated costings which will cover the establishment of a new environmental governance body for Wales as well as the implications for imposing new statutory targets on both the Welsh Ministers and wider Welsh public bodies. The full financial impact of these proposals is not expected until after the Bill has been passed by the Senedd, which would likely mean FY 2026-27

Environment

Delivery of the Nature Recovery Action Plan, including management and monitoring of the National Sites Network.

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.

The National Sites Network will benefit from funding through the continued delivery of our Nature Networks Programme (NNP) in 24/25 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 benefitting 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.

Nature Networks Programme, Local Places for Nature, the National Peatlands Action programme and Natur am Byth.

Nature Networks Programme

Nature Networks Programme (NNP) – This allocation will allow continued delivery of the NNP building on the delivery of Land Management Agreements by NRW and the Nature Networks Fund by National Lottery Heritage Fund incorporating the recommendations and actions resulting from the biodiversity deep dive.

Local Places for Nature

The Local Places for Nature Programme is currently in its fourth year of delivery, with indicative funding of £35.4M capital and £8.9M revenue allocated for a further two years. £19.7m capital and £2.95m revenue has been allocated after budget review which includes a cut of £750k revenue and £4.71M capital for 2024-25. Even with these reductions funding levels have moderately increased for the programme over the next 2 years to support the improved expansion of LPfN schemes within communities and to help fund more capital projects on the ground. One notable impact of the reprioritisation of funding is the pausing of the Breaking Barriers scheme managed by National Lottery Heritage Fund. Note these figures are not including Biodiversity and Marine Coastal elements also undertaken by the LPfN programme but funded under different BELs

The programme has been very successful in its first three years, with achievements summarised below. A total programme expenditure of £11.4m was achieved last year.

Table 1 – Highlight Outputs for LPfN Programme 2020-2023.

Highlight Output	Totals 2020/21 - 2022/23
Green Spaces Created or significantly enhanced	1951
Wildlife meadows and verges with new mowing practices	730
Community orchards created	407
Community growing projects	521
Volunteers Involved	12343
Trees planted (urban, small dense woodland, verges, parkland)	210 hectares approximate

All Programme for Government targeted measures for ‘the creation of Green Spaces’ are now projected to be deliverable by Local Places for Nature alone, with many being exceeded by the end of the programme. Of particular Biodiversity significance, the programme has funded all Wales changes to the mowing practices of public green spaces and verges. This behaviour change now has momentum which is important to continue.

Programme delivery is fully underway this year with all schemes now up and running already committing £17.1m to the programme delivery this year. Welsh Government are on target to deliver the current programme but it is no longer viable to upscale the programme as anticipated due to recent budget review exercise that has led to reprioritisation of uncommitted funds. Approximately £480k of Revenue funding (13% of budget) and £1M Capital funding has been ‘released’ from the BEL to the wider MEG. The key schemes to have been affected are the National Lottery Heritage Scheme manages capital Grant and Breaking Barriers schemes

The flexible nature of the LPfN programme, allows us the rapidly adapt to changing circumstances. As demonstrated by the speed at which my announcement for the

additional £3.3M of funding for Biodiversity actions was amalgamated into the LPfN Local Nature Partnership Scheme for the newly procured scheme management contract.

This programme is highly adaptable to cross departmental working. The previous pilot scheme in 2022/23 for increasing Marine and Coastal Capacity, (*Marine and Coastal Partnership Scheme*) was facilitated through the Local Places for Nature Programme. The success of the pilot has led to a standalone scheme being funded and procured as a cross departmental collaborative scheme (*Marine and Coastal Capacity*) for 2023-2025.

National Peatlands Action programme

Analysis of evidence relating to net zero targets is the basis for the increase in the National Peatland Action Programme which is critical to delivering the needs of the population of Wales and has informed these spending proposals.

Natur am Byth

Natur am Byth – This allocation will continue to provide the match funding required to deliver this four year NRW led project. The project aims to tackle the decline of the most threatened species in Wales working with a range of partners helping to address the nature emergency.

Outcomes of the Welsh Government’s deep dive into biodiversity and anticipated commitments made at COP15.

The Minister for Climate Change attended COP15 in December 2022. We committed to and are working towards developing and bringing forward legislation to set in law nature targets in Wales to drive our future action – funding will be required to support the technical development of these targets to be set in secondary legislation (as outlined above). Our key strategies such as the Natural Resources Policy and Nature Recovery Action Plan are being refreshed in readiness for COP16 in December 2024 to reflect the urgent action required to deliver our commitments against the global targets to reverse nature decline.

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 CBD ‘30 by 30’ goal, as well as tackling the nature crisis. Funding will be allocated to support the delivery of the recommendations and actions. Taking effective action to tackle the nature emergency by 2030 will require adequate funding – budget has been allocated to support the development of an innovative future finance model. Funding has been allocated to ramping up delivery of the Peatland Programme and to further work of the Local Nature Partnerships

Delivery of the Clean Air Plan.

The aim of the Clean Air Plan for Wales: Healthy Air, Healthy Wales, is to improve air quality and reduce the impacts of air pollution on human health, biodiversity and our economy. The Plan sets out a pathway to achieving cleaner air, structured around four core themes:-

- People – protecting the health and well-being of current and future generations
- Environment – Taking action to support our natural environment, ecosystems and biodiversity
- Prosperity – Working with industry to reduce emissions, supporting a cleaner and more prosperous Wales
- Place – Creating sustainable places through better planning, infrastructure and transport

We are undertaking a wide range of work with Government departments, different sectors of the economy and the public to drive forward the ambitious actions in the Plan. Funding will support the delivery of its commitments, including action to deliver urgent compliance with statutory NO₂ limits, expansion of our incident response capability, and Local Air Quality Management work (ensuring the regime is health focused and is taking a preventative approach). Measures in the Plan will also help to achieve the UK's emission reduction commitments for pollutants by 2030, and will support our decarbonisation aims

Implementation of the Woodlands for Wales Strategy, including the National Forest Programme

The draft budget allocates [£6.4m] revenue and [£8.3m] capital for forestry. There is a reduction of £2.7m revenue and 1m capital against previous plans. This reprioritisation has been achieved by re-profiling planned work on the public access and trails within the National Forest prioritising activities which need to be undertaken now and delaying those that can start in future years.

The budget will continue to support the ongoing development of the National Forest, we will use the slower roll-out of access work to facilitate more woodland joining the programme. We will continue providing funding through The Woodland Investment Grant to help create new woodlands and enhance existing ones.

Forestry funding will also support the Programme for Government commitment to create a Timber Industrial Strategy and cross-border forestry functions such as tree health and the Woodland Carbon Code.

£32m over three years was committed to the new woodland creation schemes launched in August 2022, supported by a woodland verification team in NRW to help ensure that where planting is being funded, it is properly planned and appropriate.

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

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.

NRW recently submitted the Section 18 report to the Welsh Minister for Climate Change outlining progress made in implementing the Welsh Government's National Strategy for Flood and Coastal Erosion Risk Management.

The factual report is compiled from information provided by the RMAs operating in Wales, and outlines the progress against the 24 measures:

- 13 measures are already complete, although 7 of those require related ongoing activities to continue and 4 require the consideration of next steps. 9 are underway, with 5 of those measures behind target and 2 remain yet to start or are on hold.

The report shows that good progress has been made in delivering the measures and consequently the objectives within the Strategy. However, there are several areas of work that remain underway or not yet started and there is clearly key further work to be completed in the coming year.

Our Programme for Government (PfG) includes a commitment to fund additional flood protection for more than 45,000 homes this Senedd term. Last year we agreed a three-year capital budget totalling £102 million to allow us to better plan our investment from 2022/3 to 2024/5 to support at-risk communities. This year 2023/4, we allocated a record £75 million of capital and revenue funding for the Flood and Coastal Risk Management Programme, our highest investment in a single year to date.

Our Coastal Risk Management Programme (CRMP) will draw to a close this year with all 15 schemes to commence construction by March 2024. The scheme 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. This will help deliver almost 35% of the PfG commitment to fund additional flood protection for more than 45,000 homes.

Water Quality, including support for the Better River Quality Taskforce

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 multiple pressures, we have committed to provide over £40 million of additional funding between 2022-23 and 2024-25 to address water quality challenges across Wales. In 2023-4 we have also 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.

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 boosted capacity in NRW by funding a post dedicated specialist Water Quality Policy advisor to lead on the implementation of this PfG commitment to begin designating inland bathing waters.

This year we have also made available up to £1.1 million funding to our Nutrient Management Boards to support the delivery of priority actions in failing Special Area of Conservation (SAC) river catchments, taking our total contribution to £1.5 million to date. This work forms part of the wider River Pollution Summit process with all key sectors, which are designed to drive our approach to addressing phosphorus pollution in failing SAC rivers in Wales. Our most recent summit was on 30 November and the next Summit will be hosted by Natural Resources Wales in March 2024.

In 2022 the Better River Quality Taskforce was established to evaluate the current approach to the management and regulation of overflows in Wales and to set out detailed plans to drive rapid change and improvement. Welsh Government are members alongside Natural Resources Wales, the water companies, Ofwat, industry stakeholders providing independent challenge from a stakeholder and consumer perspective. In October 2023 the Taskforce published the Storm Overflow Evidence for Wales (SOEfW) Report under its Environmental Regulation of Overflows Action Plan. The report does not contain recommendations, rather it compares the costs and benefits of different policy options in the regulation of Combined Storm Overflows (CSOs). The Taskforce is carefully considering the options and their cost implications to develop an achievable and affordable programme to prevent ecological harm in Wales' waterways.

Development of permanent environmental governance arrangements, and the work of the Interim Environmental Protection Assessor.

The Welsh Government remains committed to working towards the establishment of an environmental governance body for Wales during this Senedd term. There is a budget of £480,000 available for this work.

Costs incurred for the Interim Environmental Protection Assessor come out of a budget of £45,000 that is set aside for the IEPAW's functions. This budget previously sat in the EU Exit BEL but will be transferred to the Climate Change MEG from the 2nd supplementary budget for 2022-23 and as part of the Budget process for future years. These interim measures provide a route for people to raise concerns about the functioning of environmental law until the permanent measures are in place.

Delivery of the Marine Protected Area Network Management Plan. Natural Resources Wales (NRW) Details of budget allocations for NRW, including:

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.

How the development of the draft budget has been informed and influenced by any emerging findings of the baseline review, and funding for the Offshore Renewable Energy Programme

The Committee is aware of my intent to close NRW's funding gap on a permanent basis.

Informed by the findings of NRW's baseline review and reprofiling budgets within my MEG, I was pleased to inform the Committee in April I had agreed to provide NRW with a further £18.2m to draw upon in 2023-24, which included £950K allowing NRW to deliver recommendations arising from the end-to-end review of Marine Licensing.

It has been my intention, as part of the 2024-25 draft budget exercise, to baseline the £18.2m uplift to NRW's budget allocation. Tough decisions are still needed, and these will be made in consultation with NRW.

My officials continue to work closely with NRW to ensure the resources they have available are both commensurate to their needs and aligned with their statutory responsibilities and Programme for Government commitments. Over the next years, we will focus on ensuring that NRW have the greatest flexibility possible when allocating their resources and, where possible and appropriate, remove barriers which prevent them from doing so.

National Infrastructure Commission for Wales (NICW) Details of budget allocations for the NICW

In October NICW published its report on renewable energy. This involved bringing together three pieces of work: looking at the tensions arising from renewable energy developments; how we can best capture the value of renewable energy for Wales; and how we could be engaging with communities on renewable energy developments in the future. The report contained 11 recommendations for the Welsh Government which we are currently considering. Commissioners Aleen Khan and Nick Tune led on this work.

The Co-operation Agreement between Labour and Plaid Cymru commits NICW to assessing how the nationwide likelihood of flooding of homes, businesses and infrastructure can be minimised by 2050.

Research work is currently in progress to inform the project. The four workstreams concern developing a vision for flood resilience for 2050; examining the effectiveness of catchment planning; resources; and land use planning. A Project Advisory Group of technical experts is helping to guide this work. Commissioners Eurgain Powell and Eluned Parrott are leading on this work and a report is due to be delivered to the Welsh Government by Autumn 2024.

Scoping for the proposed 2024/25 project on communicating the threat of Climate Change to communities is currently underway. This will examine how communities can be engaged in conversations about their futures in a time of global uncertainty and how inequalities in this area can be reduced. Commissioners Helen Armstrong and Steve Brooks are leading on this work.

Natural Resources Wales (NRW)'s 'funding gap'

The 'funding gap' was resolved by a recurring baseline allocation in the first supplementary budget of 2023/24.

Climate change, energy and energy efficiency

Policies and programmes to support decarbonisation in the housing sector, including allocations for the Welsh Government's Warm Homes Programme and Optimised Retrofit Programme.

The development of a whole housing stock approach to decarbonisation will provide for a long-term strategy for energy efficiency, fuel poverty and decarbonisation for the sector. It will help meet the expectations of our second carbon budget Net Zero Wales and integrate with broader housing objectives.

We launched the Warm Homes Programme in 2011. Since its launch, over 198,000 people have received energy efficiency advice through the service. We have extended the Nest scheme to April 2024 to ensure a continued service and make sure there is support to households struggling with the cost of energy this winter.

The new Warm Homes Programme will continue to act as our primary mechanism to tackle fuel poverty. We will take a fabric, worst, and low carbon first approach, delivering measures to improve the energy efficiency of the least thermally efficient low-income households in Wales. In June 2023 I announced the details of the new scheme and published the invitation to tender in August 2023. Officials are currently carrying out the final stages of the procurement exercise and I remain confident that the new scheme will be mobilised by April 2024, without a break in service to customers. The new demand-led scheme is worth £250m over seven years and is structured around three elements: an advice service, provision of energy efficiency measures, and quality assurance.

Decarbonisation of privately owned homes is undoubtedly more complex than dealing with the social sector or those in fuel poverty so we will continue to apply the ORP ethos of 'test and learn'. ORP and the Innovative Housing Programme are already encouraging small scale local community initiatives, across housing sectors as a starting point.

In the short-term we will continue to deliver the Warm Homes Programme with the capital budget increasing by £5m to £35m in 2023/24 within the draft budget.

Optimised Retrofit Programme

Ministers have prioritised investment in social housing decarbonisation through the funding made available to social landlords through the Optimised Retrofit Programme (ORP).

Our stated approach is to start with social housing, before moving to other tenures as social housing is where we have the most levers. Channelling ORP investment through social landlords supports a ‘testing and learning’ approach to how to decarbonise homes effectively and efficiently.

The ORP also supports the Leasing Scheme Wales programme to provide support to landlords entering the scheme with additional funding to improve the decarbonisation of those privately rented homes.

For the optimised retrofit programme (ORP), the investment in social homes is targeted to be over £280m over the term of government (with circa £120mm invested to date) towards the retrofit of over 13,000 homes so far.

For the financial year 2024/25 £70m has been allocated to social landlords to undertake retrofit activities in line with ORP with a further £18m allocated to support implementation of the new WHQS standard that was launched in October 2023.

The ORP investment sits alongside MRA funding and Dowry funding (for LAs and large-scale voluntary transfers (LSVTs)) of an additional £108 million per annum which contributes to the achievement of WHQS and ongoing maintenance and leverages considerable funding from local authorities and LSVT partners (35% from WG funding sources while the sector put in around 65%).

The new WHQS 2023 standard builds on the excellent achievements of its predecessor. The new standard keeps anti-poverty requirements at its heart and is intended to improve energy efficiency, with the aim of supporting tenant’s comfort and well-being. The standard creates certainty which, in turn, will help drive up efficiency whilst driving down costs. This will ultimately enable us to go further faster, and importantly help to develop the knowledge, skills and supply chains needed to service both the social housing stock and the private housing sector.

Delivery of renewable energy and public sector energy efficiency programmes, including funding for the Welsh Government Energy Service.

The budget provides capital and revenue to support the operation of the Welsh Government Energy Service. This offers commercial, financial, and technical expertise to the public sector and local energy sector to develop energy efficiency and renewable energy schemes. The service also undertakes a strategic leadership role across the sectors, with a focus on increasing ambition, capacity and capability.

To date, projects supported by the Welsh Government Energy Service are expected to generate more than £320m through savings and power generation.

During 2018-2023, the Energy Service has supported nearly 300 projects which range from new installed renewables, to advancing energy efficiency work and zero emission vehicle fleet replacements. The renewable energy projects alone have introduced 40.5MW of new capacity, equivalent to enough electricity to power 16,000 homes.

A total of £169.8 million has been invested in projects across 67 organisations, including health boards, local authorities, national parks and colleges. The projects ranged from LED streetlamp installations to low carbon heat solutions. The support will save 695,000 tonnes of CO2 over their lifetime.

The Energy Service is a key enabler to the public sector to deliver the collective ambition of a net zero public sector by 2030. Given the success of the Service, as recognised by Audit Wales and public Bodies in Wales, the Welsh Government has put in place a new contract to replace the previous one which ended in March 2023. This provides continuity of service delivery for public sector and community-led organisations across Wales.

Monitoring progress and Supporting Decarbonisation Action Plans

Our ambition is for the public sector to be collectively net zero by 2030, a key policy established in the Net Zero Wales plan

The reporting of emissions annually by public bodies in Wales is an important part of achieving that ambition, by helping to shape our actions and priorities. In May 2021 the Welsh Government published the Welsh Public Sector Net Zero Reporting Guide, a universal guide for use by Welsh public bodies to estimate baseline emissions. These emissions cover buildings, transport, waste, supply chain and land use.

The annual public sector carbon emissions report is a key way of tracking carbon emissions across the public sector in Wales. We are pleased that we have had a 100% response rate from 71 public sector organisations for the 2022/23 financial year. This included Local Authorities, Health boards, and Universities. This is a very impressive response especially given that reporting is voluntary demonstrates the commitment from across the Welsh public sector to achieve our ambition of a collective net zero public sector by 2030.

We are working with our contractor, the Carbon Trust to process the data and compile the data set for the pan Wales report.

Analysis of the data for the public sector is published on Welsh Government website each year.

The data collected helps us understand the carbon emissions across the public sector and track progress towards our 2030 collective ambition and also assist organisations from across the public sector to refine their decarbonisation plans and focus their resources.

Welsh Government are continually using the data to evidence future workstreams and policies to help us understand where to focus support for the public sector to decarbonise such as the Local Authority Low Carbon Heat Grant in conjunction with the Local Government Minister supporting 34 buildings (26 Schools, 3 offices, 1 leisure centre, 2 care homes, 2 other – inc. Newport Wellbeing centre in conjunction with the transforming Towns team) across 11 Local Authorities in round 1. A second round is also currently in place for projects up to 2025.

Renewable Energy

We have published new renewable energy targets to scale up the generation of renewable energy in Wales to fully meet our needs by 2035. We remain committed to ensuring that Wales benefits from this new generation and we have a target for 1.5GW of new generation to be locally owned by 2035. Our guidance on how local ownership models can work in Wales will support the discussions between communities and developers to achieve this aim. We continue to prioritise resources within the clean energy BEL to implement the recommendations of the Renewable Energy Deep Dive working in partnership with key shareholders, delivery partners and the energy sector to implement the recommendation.

The budget allocation to clean energy will allow us to continue the programme of energy planning, supporting the four Regional Energy Strategies to deliver by providing detailed evidence of opportunities to decarbonise power use, heat in buildings, and transport. The small teams established in each region will work collaboratively with local authorities and business to identify and prioritise projects and access support from the Welsh Government Energy Service to turn these into investment opportunities.

The budget also supports the establishment in spring of Trydan Gwyrdd Cymru, the publicly owned developer which will develop large scale wind projects on public land in Wales, for the benefit of Welsh people. The company will become established and consult with people on the initial potential project locations over the next year.

Development of proposals for Ynni Cymru

We continue to work with Plaid Cymru on this important Cooperation Agreement commitment to work towards establishing Ynni Cymru to expand community owned renewable energy in Wales. Ynni Cymru was launched in August 2023 and work continues to develop the delivery functions of Ynni Cymru to support the delivery of Smart Local Energy systems. A small team has been recruited to lead the delivery of Ynni Cymru to work with the community energy sector to scale up the delivery of renewable energy in Wales in a way that retains value within our communities. A business case is being developed in partnership with key stakeholders in Wales. To support the building of capacity and capability within the community Energy Sector in Wales £938,680 resource grant funding has been made available to 10 projects in Wales.

Transport

Delivery of the 20mph speed limits policy, particularly details of any ongoing costs / allocations

The approach is set out in the [Written Statement on Supporting highway authorities with the implementation of 20mph \(25 October 2023\)](#) and budget allocations will be subject to the cost estimates arising from this.

Delivery of the rail franchise and the Welsh Government's rail infrastructure priorities

The revenue and capital funding 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 the 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. 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.

Delivery of the North East Wales, South West Wales and South East Wales Metros

We will transition our metro programmes to an integrated regional transport approach. The progress made on the metro programmes to date will form a basis on which the Corporate Joint Committees (CJCs) can build as they develop new regional transport plans over 2024-25. In North Wales, this will also be informed by the North Wales Transport Commission recommendations. The Transport for Wales regional teams covering North, Mid, South West and South East Wales will support the CJCs as they develop the plans.

As part of this work, TfW will continue to develop strategically important projects across Wales which will help us achieve the mode shift needed to meet our Net Zero Wales targets. These will support the development of infrastructure enhancements, service design, digital, data and behavioural change initiatives in bus, rail and active travel that maximise modal shift.

The development of Transport for Wales – including an update on the work done to improve TfW's budget process following our report on the 2023-24 draft budget, and a breakdown of TfW's full budget allocation for 2024-25, itemising its corporate budget alongside allocations for delivery of specific programmes as well as rail franchise commitments

Following on from the action we took in October to help manage pressures in maintaining rail operations this year, the £125m announced in October that was needed to maintain rail operations across Wales has been baselined. As was outlined in October, these pressures have been caused by the ongoing impact the pandemic has had on the ambitious revenue projections from the original KeolisAmey bid in 2018 alongside some operational costs having increased as a result of inflation.

Without this funding, Transport for Wales (TfW) would not have been able to maintain the continued operation of all its rail services. The significant investments already made into rail across Wales would have been put at risk without the additional funding provided in the revised spending plans. The wider package of investment will also help to grow demand and increase revenue income significantly over the coming years. Like all public services in Wales this will mean tough choices to live within this settlement. In response to these inflationary pressures, TfW will also need to increase rail fares to help close the gap and ensure sustainability going forwards. We are continuing to work with TfW to make savings and to minimise the gap between income and costs.

TfW submitted the first draft of their budget to the Welsh Government earlier this year in the summer much earlier than in previous years in order to inform the draft budget. This has been invaluable in this budget round in ensuring that there was a common understanding of costs for next year.

Since its submission, officials have held a number of challenge sessions focussing on specific areas where further detail was required including bus, active travel, headcount, and active travel in order to offer policy leads and budget holders the opportunity to interrogate the forecasts and inform future iterations. This has resulted in a reduction in central costs of £1.4m and a reduction in the rail support of £5m offset by an increased farebox income from rail.

TfW have been challenged to look creatively at rail fares and not apply a blanket increase but to create a basket of fares based on usage patterns and the outputs of their impact assessments. This could include lower fare rises on certain routes or for certain groups (eg those holding disability or youth travel cards).

The next version of the forecasts were due to be available in December. However, there may some delay in order take account of the Welsh Government's draft budget which has been especially challenging this year. As a result of the timescales to finalise the budget, it is unlikely that we will be in a position to publish TfW's budget in time for scrutiny in January. However, an itemised version of their budget will be published alongside next financial year's funding letter.

Investment in the trunk road and motorway network and how these have been shaped by the new roads policy statement / the outcome of the roads review

Funding across transport has been aligned with the sustainable transport hierarchy as set out in the Wales Transport Strategy, this approach prioritises investment in active travel such as walking and cycling and public transport such as bus and rail, above investment in steps which increase private car usage. This approach is

fundamental to achieve our challenging modal shift targets and climate change commitments.

On 13th July the Deputy Minister for Climate Change set out in a written statement the response to the independent Lugg Review of the annual maintenance programmes on the Strategic Road Network (SRN) which took into account the Road Review's panel report 'The Future of Road Investment in Wales' and our response including the National Transport Delivery Plan 2022-2027.

We are therefore progressing to adopt a new approach to road maintenance and by also implementing the recommendations of the independent review, this will maximise the delivery of our policies and minimise and adapt to the adverse effects of climate change and enhance biodiversity within the challenging budget environment.

We are developing a Major Asset Renewal programme with a 5 to 10 year timescales which can be adjusted to match funding availability. This will ensure when we invest in maintenance the work will be designed in a way which reflects the "function" or "character" of the route and will maximise every opportunity to:

- Deliver modal shift to more sustainable forms of transport, reflecting the transport hierarchy in the Wales Transport Strategy;
- Provide a net benefit for biodiversity and enhanced ecosystem resilience;
- Improve the resilience of the network and its surroundings to the effects of climate change;
- Minimise pollution, including air, noise, water, and land; and
- WG will apply the carbon reduction hierarchy when maintaining and operating the SRN in line with PAS 2080 – Carbon management in infrastructure.

In future we will not assume like for like replacement of infrastructure. Instead, asset renewal will be treated as an opportunity to reconsider the underlying purpose of the road in question taking into account the Wales Transport Strategy and the four road building tests set out in our response to the Roads Review.

The Lugg recommendations identified that the Trunk Road Maintenance Manual (TRMM) should be revised and move to a risk-based system of inspection and repair and be aligned with the Asset Management Policy and Strategy.

TRMM sets out the Welsh Government's requirements of the Trunk Road Agents by defining the standards to which the SRN should be inspected and maintained. This includes minimum annual cyclic routine inspection and maintenance activities required to ensure the day-to-day safety and serviceability of the SRN for all modes of travel.

In line with the Lugg recommendations, a revised TRMM was co-developed between Welsh Government officials and the trunk road agents and implemented in May 2023. Key changes include reviewing all sections of maintenance alongside the Design Manual for Roads, including sections for decarbonisation and revising the manual with the changes that have occurred since 2016 when it was last updated.

Assets such as structures are already being managed using a risk-based approach and further work is currently being undertaken to move to a risk approach across all other

assets. These changes will be addressed in further annual iterations of the TRMM, which would likely benefit from independent challenge.

There will be an emphasis and drive with the development of the revenue activities to:

- (1) optimise spend and work towards achieving best value for both carbon and cost;
- (2) look wherever possible to use the opportunity of maintenance spend to support modal shift (for example, maintaining an active travel route with a local authority alongside any proximate work on the SRN).

In the development and subsequent publication (October 2023) of *Llwybr Newydd i Natur*, our Nature Recovery Action Plan for the Strategic Road Network, we have taken into account the core principles and new approach set out in the Road Review panel's report and recommendations to maintain and enhance biodiversity, and increase ecosystem resilience through transport operations and infrastructure projects.

Llwybr Newydd i Natur brings to the forefront how we think about, plan for, and deliver for nature, driving a step change in our work for biodiversity and ecosystem resilience on the Network estate across Wales.

It will embed actions to protect and enhance nature as a core principle of every aspect of our work, strengthening the requirements for biodiversity improvement measures in our road infrastructure schemes; and delivering an ambitious programme of nature recovery projects on our existing network, funded through our capital programme.

There are a number of programmes being delivered across the Strategic Road Network (SRN) intended to be preventative. They include:

- Ash Dieback – Proactive measures to identify and remove diseased trees that could cause safety issues on the SRN.
- Surfacing preventative Treatments – Surface dressing treatments that extend the life of the wearing course of the carriageway, increasing maintenance intervention frequency, lowering cost and carbon.

Delivery of active travel policy, including a summary of planned activity and a table detailing total and per capita allocations for active travel for 2024-25, compared with each of the preceding three years. Revenue and capital allocations should be clear and broken down by individual funding stream.

Over the last year we have started addressing many of the recommendations made by the Cross-Party Group on the Active Travel Act in their review of the Act as well as other actions to strengthen the delivery framework for active travel nationally and at the local level. This has seen the restructuring of the Active Travel Board with the appointment of independent members and a strengthened scrutiny as well as public facing role. Transport for Wales have developed a route prioritisation tool and delivered the first tranche of tailored active travel training to officers across Wales.

Over 2024-25 we will continue to focus our efforts on further broadening the range and depth of support and tools available for local authorities in the delivery of their Active Travel Networks as well as building central expertise within Transport for Wales and trial new delivery approaches in collaboration with local authorities. A particular focus will be on more effective promotion of active travel, including the development of guidance for local authorities on their new duty to promote active travel as a way of reducing or limiting air pollution as a result of the new Air Quality and Soundscapes Act. Monitoring is another area where we will further step up work together with partners to improve consistency of practice.

Active travel continues to be a focus for capital investment, in particular through the mechanism of the Active Travel Fund. In recognition of the largely local nature of active travel infrastructure, the majority of the funding is directed at local authorities.

The Active Travel Fund is designed to enable local authorities to deliver the active travel route networks which have just been updated and which were approved by Ministers in 2022. The Fund is made up of a core allocation for each local authority and a competitive funding element. The Fund is complemented by smaller additional funding programmes.

The Safe Routes in Communities Grant is focused on school travel improvements and is geographically not limited to the larger towns which form the focus of the Active Travel Fund.

Funding for active travel schemes on and intersecting with the Strategic Road Network will be prioritised and taken forward in dialogue with the local authorities in which they are located. Active travel schemes that are linked to implementing Metro or South East Wales Transport Commission proposals will also be developed collaboratively in these contexts.

Capital investment will be complemented by a small number of targeted revenue activities. Our main focus for 2024-25, in line with recommendations made by the Cross Party Group and the Active Travel Board is to continue and improve support for interventions that increase active travel to school, which are typically delivered by third sector partners.

Support for bus and community transport services, including a summary of planned activity and a table detailing total and per capita allocations for 2024-25 compared with each of the preceding three years. Revenue and capital allocations should be clear and the table should be broken down by individual funding stream.

We will continue to provide revenue support to the bus industry in 2024-25. In the past financial year we have provided direct post-covid revenue support to bus operators under the guise of the Bus Emergency Scheme and the Bus Transition Fund. In 2024-25 we will establish the Bus Network Support Grant, funding local authorities to secure the services they deem socially necessary. This funding scheme will sit alongside the longstanding Bus Services Support Grant. We will continue to provide funding to Transport for Wales for preparatory work for franchising, the management of our TrawsCymru network, Fflecsi services, the provision of timetable information through

Traveline Cymru.

REVISED

Total per capita				
Bus Revenue support - 2021-22 to 2024-25				
	2021-22	2022-23	2023-24	2024-25
Mid-year population estimate Wales*	3,107,500	3,105,000	3,105,000	3,105,000
Bus Users UK Cymru Grant	289,457	217,000	217,000	-
School Transport	10,000	10,000	10,000	-
BUS REVENUE SUPPORT	1,061,818	677,000	399,000	-
Bus Ancillary	-	-	-	2,396,000
Community Transport Association - Core Funding	285,482	285,482	193,000	-
Bus Services Support Grant	25,000,000	25,000,000	25,000,000	25,000,000
Bus Revenue Support - Traws Cymru	3,159,745	3,159,745		-
TfW Support		178,000	9,459,000	9,459,000
Traveline Cymru	998,616	998,616	-	-
Concessionary fares	62,595,259	60,482,000	58,209,000	45,482,000
Youth Discounted Travel	1,999,969	2,000,000	2,000,000	2,000,000
Bus Emergency Scheme COVID	59,099,546	28,000,000	28,000,000	39,000,000
Total	154,499,892	121,007,843	123,487,000	123,337,000
Total per capita	£49.72	£38.97	£39.77	£39.72

Support for local transport priorities

We will continue to invest in local schemes that support the delivery of the Wales Transport Strategy. Funding in the next financial year will have a focus on schemes to improve bus journey times and to help deliver Regional Transport Plans.

We will take forward the Programme for Government commitment to modernise transport grants as we transition towards a regional approach and the CJsCs develop regional transport plans.