



# **Response to CCEI Committee Scrutiny of the Welsh Government Draft Budget 2025-26**

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# 1. Prioritising Climate Change and Nature across government

Recommendation 1. The Welsh Government should:

- assess and set out the scale of investment needed for nature recovery in Wales, incorporating findings from reports such as Wales Environment Link's 'Pathways to 2030', and
- develop and publish a comprehensive nature finance strategy.

Accept

The 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.

Increasing the scale and pace of action to tackle biodiversity loss will require both increasing and diversifying the funding available. This will include funding from the private sector, community-led initiatives and philanthropic giving.

We will shortly publish the summary of responses to the consultation on sustainable investment principles. We will also set out the next steps for assessing the scale of investment needed which will include commissioning an independent evidence report to determine the scale of investment needed for nature recovery, pilot projects and the development of a nature finance strategy.

Recommendation 2. The Deputy First Minister should report back to the Committee on work undertaken following the Biodiversity Deep Dive to “increase public investment in nature's recovery by ensuring the response to the nature emergency is integrated across government departments”. This should include details of how he will measure the impact of this work on investment levels for nature

Accept

Our Programme for Government commits us to embedding our response to the nature and climate emergency in everything we do. Restoring nature means revitalising the places we live and enjoy, creating green jobs, supporting local and rural economies, and underpinning sectors like food production and tourism. In this Senedd term alone, the Welsh Government has invested over £150m from across government departments to restore nature and improve access to it on people's doorsteps. These efforts not only enhance our resilience to climate change but also ensure a thriving natural environment for future generations. I will consider how we can best measure the impact of this work.

Recommendation 3. The Deputy First Minister should explain how his engagement with the UK Climate Change Committee has influenced budget Scrutiny of the Welsh Government Draft Budget 2025-26 allocations to support the delivery of the Welsh Government's new climate adaptation plan.

Accept

The Welsh Government commissioned the UK Climate Change Committee (CCC) to produce an independent report on progress on adaptation in Wales: [Adapting to climate change - Progress in Wales - Climate Change Committee](#). This report provided the impetus for the subsequent Climate Adaptation Strategy for Wales, which was published last October: [Climate Adaptation Strategy for Wales 2024 | GOV.WALES](#). The strategy sets out how work across the whole of the Welsh Government is helping to address climate change impacts in Wales. Officials had regular discussions with the CCC during the development of the strategy and a draft of the document was shared for comment with the CCC in advance of publication.

There is a small central budget for climate change adaptation which covers the co-ordination of policy on this topic however the majority of our spending on adaptation is in other budget lines, such as flood risk management and biodiversity or built into mainstream budgets for services such as health. We also acknowledge that the challenges posed by climate change cannot be met by government alone and that action is needed right across society, including with key partner organisations, the private sector and the general public.

## 2. Coal Tip Safety

Recommendation 4. The Deputy First Minister should report back to the Committee on the cost of clean-up and any remediation work following the landslide at the disused coal tip in Cwmtillery. He should also clarify where these costs will fall, and whether (and how much) funding will be made available through the Coal Tip Safety Grant Scheme to meet them.

Accept

The Mining Remediation Authority has been undertaking weekly visits to the Cwmtillery tip to ensure it is safe. Welsh Government also wrote to Blaenau Gwent County Borough Council confirming funding to cover the immediate costs of works on the tip, totalling £174,000 since the slip. This includes site investigation works due to start this month.

The local authority has also submitted a bid for £610,000 under the Coal Tip Safety Grant Scheme for the delivery of the next phase of works to support crucial infrastructure improvements, including culvert repairs and drainage works.

The Welsh Government will continue to support Blaenau Gwent County Borough Council in delivering a long-term strategy to secure the site for the future.

Recommendation 5. The Deputy First Minister should:

- explain how Coal Tip Safety Grant Scheme applications are prioritised;
- clarify whether any unsuccessful applications for 2024-25 involved 'high risk' tips (i.e. category C and D); and
- clarify the total allocation for the scheme for 2025-26, including the projected number of disused tips that will benefit from maintenance and remediation works as a result of the increase in allocation. Scrutiny of the Welsh Government Draft Budget 2025-26 10

Accept

Applications made to the Coal Tip Safety Grant Scheme are appraised against factors including potential risk mitigation, project feasibility and viability within the scope and terms of the scheme. Applications made for higher rated tips are typically prioritised over those for lower rated tips, given the increased potential risk.

There are instances where applications made for higher rated tips are appraised as a lower priority, however, this is typically where the activities or interventions proposed do not specifically target risk reduction or where the works are not feasible.

In the appraisal of the applications made in FY2024-25, Welsh Government took several factors into consideration. This included the category of the tip, nature of works identified and project feasibility. Consideration also included an assessment of the applicant's performance in the previous financial years - this was particularly relevant where they had demonstrated a reduced capacity to deliver capital works in a set timescale, given that the grant for 2024-25 was for one financial year only.

Following this appraisal, all applicants were consulted and requested to undertake their own prioritisation exercise. Upon the conclusion of this exercise, a final award figure was agreed between both parties, ensuring the prioritisation of available resource in delivering works to reduce risks across the disused coal tips estate.

The total allocation for the Coal Tip Safety Grant Scheme for 2025-26 is £33m in capital funding, and £2m in revenue funding. At this stage in the assessment process we are unable to confirm exactly how many tips will receive support - it is important to note that each year, hundreds of disused tips benefit from the monitoring, maintenance and remediation works progressed under the Welsh Government coordinated programme of works.

Recommendation 6. The Deputy First Minister should:

- provide assurance that the Welsh Government has set out clearly its expectation for the current UK Government to share the cost of the long-term remediation and reclamation programme for Wales' disused coal tips, and
- provide details of any inter-Ministerial discussions on this matter since the formation of the UK Government in summer 2024

Accept

My recent letter to the Committee of 3 January 2025 as part of its inquiry on opencast mining highlights Welsh Government's position on this matter:

*"The Welsh Government has always been clear that coal tips need a sustained programme of investment and that we cannot and should not do this alone. This is a point which both I and my Cabinet colleagues, past and present, have raised with the UK Government for several years"*.

The approach to the new UK Government was successful and we secured £25m in 2025-26 for disused coal tips. The Cabinet Secretary for Finance and Welsh Language also recently requested confirmation of coal tips funding for FY 2026-27 and FY 2027-28 from the UK Government, ahead of the second phase of the spending review, to enable officials to operate a multi-year grant scheme, allowing applicants to undertake larger-scale capital works programmes.

Whilst we wait for a response, we will continue to work with the UK Government to ensure that our needs are reflected in phase two of the UK spending review. I can confirm that this issue was raised at my meeting with the Secretary of State for Wales on the 25 Feb, at the Interministerial Standing Committee on the 27 February; and y Prif Weinidog discussed with the Chancellor of the Exchequer when they met in London on 12 February.

### 3. Flood Risk Management

Recommendation 7. The Deputy First Minister should provide further details of how the findings of Natural Resource Wales' report, Long-term Investment Requirement for Flood Defences, "has changed the Welsh Government's approach to the scale and type of capital investment" for flood risk management.

Accept

This year we are maintaining record levels of investment in flood risk management through our Flood and Coastal Erosion Risk Management (FCERM) Programme. Natural Resources Wales' (NRW) Long-term Investment Requirement for Flood Defences (LTIR) report identified how much funding would be required to keep pace with climate change over the next 100 years. It also made a clear case for continued investment. It identified that capital funded flood risk management interventions were economically viable over the 100 year appraisal period. To ensure our investment delivers maximum benefit for communities across Wales, the flood programme is scrutinised by our FCERM Programme Board. The board is comprised of members from local authorities, NRW, Welsh Local Government Association, Dŵr Cymru / Welsh Water, Welsh Government Treasury, Internal Audit and the Chair of the Flood and Coastal Erosion Committee. Board members take into account various reports and recommendations, including NRW's LTIR report when making decisions on the development of schemes.

We know that the increasing threat of climate change means we need to find solutions in addition to the traditional grey engineering. We are also actively pursuing a catchment-based approach through Natural Flood Management (NFM). We are investing an additional £4.6 million funding 23 projects across Wales to enhance our natural environment and reduce flood risk to up to 2,000 properties. This builds on our Natural Flood Management Pilot Programme in 2023 which invested £3 million benefiting over 850 properties.

Recommendation 8. The Deputy First Minister should;

- explain the reason for the £1.25m reduction in revenue funding for flood risk management and water policy delivery, and
- provide details of any assessment made of the impact of this reduction on the delivery of Risk Management Authorities' flood activities

Reject

There has been no reduction in revenue funding for flood risk management and therefore no assessment of the impact of any reduction. All risk management authorities continue to receive record revenue funding to support the delivery of flood-related activities. The £1.25 million funding has been transferred to the Revenue Support Grant to cover the first-year construction costs of the Coastal Risk Management Programme schemes in Conwy County Borough Council (Llandudno and Kinmel Bay) and Cyngor Gwynedd (Barmouth Viaduct Gardens).

## 4. Restoring Nature

Recommendation 9. Should additional funding be made available to the Deputy First Minister during the course of the year, he should commit to increase funding for the Local Places for Nature so that, as far as possible, it returns to 2024-25 levels.

Accept

As part of the planning we are doing with Local Places for Nature (LPfN) scheme managers ahead of 2025/2026 we are putting in place mechanisms to facilitate the rapid incorporation of any uplifted funding were it to become available over the course of the year.

Recommendation 10. The Deputy First Minister should explain how he will work with delivery partners to mitigate the impact of the reduction in allocation for the Local Places for Nature Programme.

Accept

The reduced allocations have already been accepted as manageable by the LPfN Scheme Managers and funded organisations (e.g. Local Nature Partnership lead organisations). Mitigations have been developed to maximise the flexibility of the funding, increasing the efficiency of delivery on the ground and improving value for money for Welsh Government.

Recommendation 11. The Deputy First Minister should engage with the National Lottery Heritage Fund to explore the feasibility of launching the next Nature Network Fund in the spring (with approval of projects by the autumn) to enable delivery in line with the seasons, and report back to the Committee on the outcome as soon as possible. Scrutiny of the Welsh Government Draft Budget 2025-26 17.

Accept

The Nature Network Fund is designed to improve the condition and connectivity of our terrestrial, marine and freshwater protected sites, creating resilient ecological networks which will allow our most endangered habitats and species to thrive helping to tackle the nature emergency.

The Nature Network fund supports actions that specifically benefits the management of protected habitats and species on Special Areas of Conservation, Special Protection Areas and Sites of Special Scientific Interest (SSSIs) and demonstrates the sustainable management of natural resources across Wales. It also includes capacity building whilst encouraging community engagement and green finance initiatives.

We will work with the National Lottery Heritage Fund (NLHF) and NRW to explore the possibility of having an early as possible window for the next round. Any new window will need to align with NLHF timetable and allow sufficient time for stakeholders to prepare applications.

Recommendation 12. The Deputy First Minister should report back to the Committee on representations he has made to date to the UK Government on a replacement scheme for the EU LIFE funding programme, including key asks, and the outcomes.

Accept in principle

Wales benefitted from participation in a wide range of EU programmes. We welcome all opportunities to further foster international collaboration and partnerships in Wales.

Following EU exit, representations for replacement funding were made to the previous UK Government but none were forthcoming.

I and Cabinet colleagues intend to make further representations to the current UK Government in this area and others where we feel EU funding has been lost and not replaced by the previous UK administration.

## 5. Waste

Recommendation 13. The Deputy First Minister should set out his understanding of how “national policies and circumstances” will be taken into account in the basic payment methodology for the EPR scheme. Scrutiny of the Welsh Government Draft Budget 2025-26 21

Accept

The local authority payment model is configured for the first year to ensure that payments reflect the cost of delivering the service. This calculation takes into account various factors - including rurality, deprivation, and service type (i.e. kerbside sort, commingled, twin-stream) - to provide an average cost for comparable local authorities.

In future years it is crucial that packaging Extended Producer Responsibility (EPR) funding incentivises local authorities to continue to deliver improvements to services in line with our Welsh policy framework. From 2026, the Scheme Administrator will assess the effectiveness of each local authority and the poorest performing authorities will be part of an improvement action process. This will draw from our experience in Wales, where collaboration between government, sector specialists and local government has proven to be an effective tool to support service improvement.

The improvement process operated by the Scheme Administrator will feed into the existing framework for recycling in Wales and we are confident that the introduction of additional funding through packaging EPR will support local authorities to continue to improve performance. As such, in parallel with the introduction of packaging EPR, the Collections Blueprint underpinned by the statutory minimum recycling targets in Wales will continue to serve as the framework for local authorities in Wales for service improvements.

Whilst the commencement of the packaging EPR scheme represents a significant milestone in applying the polluter pays principle, the operational model underpinning this new funding will take time to refine. As more data is acquired from the local authorities, it will be used to inform and refine the future calculation of payments.

Recommendation 14. The Deputy First Minister should clarify whether “additional funding” arising from the introduction of the EPR scheme for plastic packaging scheme will be ‘ring-fenced’ for recycling services or whether local authorities will be able to re-direct it into the provision of other services, for example, social care and education.

Accept

The recently published packaging EPR payment estimates for 2025-26 (year 1 of the scheme) indicate that it will deliver £94.2 million of funding to local authorities in Wales. The Welsh Government is proposing through its budget for 2025-26, currently being considered by the Senedd, that funding from the packaging EPR scheme should be additional. This will mean local authorities receive enhanced investment that will enable them to further improve recycling and reuse as a key part of action to decarbonise.

This funding is subject to local authorities' own budget setting process; it is not hypothecated to waste disposal and collection of packaging waste and is therefore subject to local decision-making on its use. The funding's purpose however - to pay for the cost of managing household packaging waste - is clearly set out in legislation.

To clarify, the packaging EPR scheme applies to other types of packaging as well as plastic packaging.

Recommendation 15. The Deputy First Minister should provide an estimate of the costs associated with the introduction of a bespoke Deposit Return Scheme for Wales

Accept in principle

Existing Welsh Government resources from within the resource efficiency and circular economy budget will continue to be used to develop the Deposit Return Scheme (DRS) for Wales. Whilst it has not been possible to be a part of a joint Deposit Management Organisation appointment process, the scheme was and still will be legally separate in Wales.

There will be a consultation on proposals for the scheme during 2025-26. Any additional resources needed to implement a scheme for Wales will be considered in the budget rounds for future years and an impact assessment will be set out alongside the legislation which will be needed to implement the DRS scheme.

## 6. Environmental governance

Recommendation 16. The Deputy First Minister should ensure that the forthcoming Environment (Governance, Principles and Biodiversity Targets) (Wales) Bill makes provision for a sufficiently ambitious timeline for the establishment of the new independent, statutory environmental governance body.

Accept in principle

We recognise importance of establishing this governance body and the critical role it will have in overseeing environmental law and improving environmental protection.

Our focus is currently on developing the legislation to be able to do this. The timing of the body's establishment will depend on the precise timing of the Bill's passage through the Senedd.

The independence of the body will be crucial towards its successful operation, and we are not minded to put explicit provision on the Bill regarding its establishment date, because this would hold the governance body to timescales it had no role in defining. We will start recruiting to the body as soon as we are able, but these processes are complex and take time, and any delay with recruiting to the body could create insurmountable delivery pressures if an establishment date were set out on the face of the Bill.

For this reason, we accept in the principle the desire to establish the body as soon as reasonably practicable but consider it would not be appropriate to set an explicit timeline on the face of the bill. We will instead focus on enabling the body to get a head start on becoming operational through operational support.

Recommendation 17. The Deputy First Minister should:

- report back to the Committee on the options currently under consideration to ensure a smooth transition from the interim environmental protection measures to the new environmental governance body, including any assessment made of the associated costs for each option. He should clarify whether these costs will fall in 2025-26, and how this is reflected in budget allocations, and
- confirm when a final decision will be taken on his preferred option and report back to the Committee on this decision

Accept

We are currently working to develop an approach which will support transition from the Interim Environmental Protection Assessor Wales (IEPAW) to the substantive governance body. These plans will be discussed with the IEPAW and the Environmental Governance Stakeholder Group in due course.

Costs are currently being assessed as part of the Regulatory Impact Assessment for the Bill. A minor uplift is included in 2025-26 budget to support the work on

implementation. This analysis and our conclusions will be available to inform scrutiny of the Bill.

## 7. Countryside Access

Recommendation 18. The Deputy First Minister should:

- clarify whether all local authorities have published revised 10-year Rights of Way Improvement Plan (RWIP) following the latest statutory review;
- report back to the Committee on how the Welsh Government is supporting authorities to ensure progress towards delivery of RWIPs
- provide details of funding opportunities available to authorities to support the delivery of RWIPs.

Accept

Under the Countryside and Rights of Way (CROW) Act 2000, each local highway authority is required to publish a ROWIP for all of their area. Authorities are required to make a new assessment, review their ROWIP and decide whether or not to amend it, not more than ten years after publishing their previous plan. There are currently 15 ROWIPs that have been fully reviewed and seven which are still in progress but nearing completion.

The Welsh Government regularly reminds local authorities about their statutory duties, including the importance of having a ROWIP. Whilst statutory rights of way activity is covered within Local Government's core funding, the Welsh Government provides additional funding (via the Access Improvement Grant) to improve public rights of way, including projects that contribute to the delivery of ROWIPs. As an incentive to ensure compliance with the production of ROWIPs, a funding condition is attached to the award of the Access Improvement Grant. Authorities incur a 25% financial penalty if they do not have a current ROWIP. The funding condition has helped boost compliance.

During the period 2022-25, Welsh Government's Access Improvement Grant has provided £5.6m capital funding to Local and National Park Authorities that have public rights of way responsibilities. This has supported the delivery of ROWIPs and enabled authorities to improve recreational access to the countryside and water. A further £4m is intended to be made available for 2025-27.

## 8. Marine

Recommendation 19. The Deputy First Minister should prioritise the finalisation of a new MPA Network Management Framework to provide a clear, strategic direction for the Welsh Government's policies on marine conservation.

Accept in principle

The Welsh Marine Protected Area (MPA) network is supported by the MPA Management Framework. The Framework sets the direction for management authorities who have statutory roles and responsibilities for the Welsh MPA network. It includes information on relevant management priorities and activities to improve the condition of the network of MPAs in Wales as a whole.

A review of the existing Framework will be undertaken in 2025 to ensure it remains accurate and fit for purpose. Welsh Government will consider any recommendations from the review where appropriate.

Having a clear understanding of the condition of sites and their features is essential to achieving conservation objectives and securing an ecologically coherent and well managed network of MPAs in Wales. Since 2020, over £500k of grants have been awarded under the current Framework to projects aimed at improving understanding and addressing pressures upon our network.

Projects include the surveillance of Grassholm island for signs of HPAI, assessing the impact of Welsh fishing activities on our MPA's and supporting the development of Seagrass Network Cymru's (SNC) National Seagrass Action Plan.

## 9. Natural Resources Wales

Recommendation 20. The Deputy First Minister should

- provide assurance that steps have been taken to strengthen internal governance and oversight in NRW, in the light of the need for a £19 million loan for historic tax issues, and
- provide an update on the latest position regarding the negotiations with HMRC as soon as possible, including details of whether NRW will be required to repay the Welsh Government's loan.

Accept

I agreed a package of enhanced monitoring measures to enhance oversight and provide support to NRW. These include the following which, provide for regular, structured oversight of performance and risks and provide space to enable any challenges to be discussed early:

- formalised more frequent discussions between my officials and NRW to provide assurance and confidence in the delivery, governance, financial and risk management arrangements now in place.
- increased the frequency of my performance meetings with NRW's Chair to quarterly.
- asked NRW's Chair to take a number of steps to further enhance capacity and capability within NRW, progress on these is monitored in the regular meetings between my officials and NRW referred to above.

My Written Statement of 21 February 2025 provides the latest position in relation to NRW's engagement with HMRC. I will provide a further update to the Senedd when the matter is concluded.

The terms of providing NRW with the necessary budget cover, including the timeline by which this must be repaid, are in the process of being agreed ahead of being implemented in 2025-26.

Recommendation 21. The Deputy First Minister should ensure that the adequacy and use of funding for flood management is monitored and evaluated, following its inclusion in NRW's main budget line.

Accept in principle

To ensure our flood investment delivers maximum benefit for communities across Wales, the Flood and Coastal Erosion Risk Management (FCERM) programme is scrutinised by our FCERM Programme Board. Natural Resources Wales are members of the Board alongside local authorities, Welsh Local Government Association, Dŵr Cymru / Welsh Water, Welsh Government Treasury, Internal Audit and the Chair of the Flood and Coastal Erosion Committee.

The Board meets quarterly and forms the primary governance process through which Welsh Government discusses NRW's flood capital and revenue requirements. It is also

the main forum through which Welsh Government monitors NRW's progress in delivering their schemes funded through the FCERM Programme. Beyond the main FCERM Programme Board, Welsh Government officials also meet separately with NRW on a quarterly basis to discuss progress on their flood capital programme.