Cyswllt Amgylchedd Cymru | Wales Environment Link

Consultation response: Informing scrutiny of Welsh Government Budget for 2024-25

Date: 30 November 2023

Summary

The current budgeting situation faced by Welsh Government is severe and we acknowledge that some very difficult choices need to be made around spending over the next two years.

In a time of crisis, the first response is often to retreat and think only of immediate priorities; to go back to basics in terms of jobs and livelihoods, and to dispel concerns around nature as being trivial, compared to more pressing matters of health and the economy. By its very topography however, the health and prosperity of our nation depends on our environment and, now more than ever, nature can't wait for us to overcome the cost-of-living and health crises we are facing, it must be part of the solution through a green recovery. We must ensure our young and future generations are not compromised by decisions made in the present. None of our other priorities will matter if our water, air and soil is compromised and can no longer sustain us. We urge the Senedd committees to keep nature a priority and to ensure the Welsh Government does not forget it, amongst extremely difficult decisions. Our core messages in this response are:

1) Don't make nature the scapegoat in budget cuts
2) Reinstate and prioritise nature grants, ensuring NGOs are listened to when we highlight how they do and don't currently work
3) Make sure that funding for sustainable farming is the route to nature recovery, not an afterthought

What we need to deliver the '30 by 30' target & other COP 15 commitments

In March 2023, WEL launched our report: 'Pathways to 2030: 10 Key Areas for Investment in Nature's Recovery in Wales'. Working with economist, Matt Rayment, it estimates costs for restoration priorities along the following themes: access and public

participation; farmland; coasts; seas; peatland; grassland; protected sites; rivers and wetlands; woodland; and species. We set out actions that are divided between: stopping activities damaging to nature; reducing adverse effects on nature; and starting positive actions for nature's recovery. It's essential to remember that halting further damage is equally as important as starting to make positive interventions. Budgetary decisions aren't just about where money is spent, but where money is saved, and we can save both money and nature by not funding businesses, sectors or jobs that are overall damaging to nature or the climate.

For example, under our Peatland chapter, we urge for any activities that destroy peatland – like burning or planting trees in the wrong place – to be stopped immediately, and to implement the UK-wide ban on peat for horticultural use. Whilst restoration itself costs money, much action can be taken by being bold enough to stop actions that are damaging.

In addition, not all of the actions are something for Welsh Government to do; we wholly agree that tackling the climate and nature emergencies should be done on a 'Team Wales' approach; or indeed, a 'Team UK' approach, ideally. Another significant but cost-effective ask is under the Grasslands chapter, of simply improving the management of our 30,000 miles of roadside verges and public green space. This is more of a procedural change than a funding change. But it does take people to coordinate and drive forward action, especially when it's working in a new way, so we propose a team of champions and advisors to provide guidance to local authorities, businesses and gardens, with a communications budget, at a total cost of £400k.

The additional annual spend we are calling for, to deliver **all** the actions outlined in the report, is £158m. For the cost of an environment that supports our society without short-changing future generations, it is not a huge sum. For example, there is often more budget available for sustainable transport – such as through Active Travel grants to local authorities, changes of signage as lower-traffic neighbourhoods are implemented via the 20mph speed change, and significant policy changes to road-building in general. We support all of this wholeheartedly, but although lowering our carbon through transport is important, it's only one side of the coin.

A policy of increasing our biodiversity while lowering our carbon emissions encompasses both sides of the coin, and we'd like to see nature and transport have equal priority in Cabinet discussions. It's also a very impactful policy, and arguably –

just as lower mileage saves money to the NHS via fewer accidents – it is equally a form of a preventative spend / 'invest-to-save' approach. We need to restore nature whilst there is still some to work with, rather than trying to reintroduce biodiversity to barren places. It will only get more expensive and difficult to do, the longer we go on.

Much of our suggestions are already in train, in some form, within Welsh Government, but they lack the scale, detail or follow-through necessary to have a significant impact. We welcome many of these initiatives but are disappointed by their small scale, the lack of conclusive action or implementation, and weak commitments that have not been prioritised or followed through on yet.

For example, for our seas – often one of the lowest priorities for intervention – one of the key things we have to stop is unsustainable fishing. The Welsh Government and Natural Resources Wales have worked together on the 'Assessing Welsh Fisheries' project to better understand our fish stocks and the relationships with corresponding fishing practices, which we very much welcomed. But this started in 2016 and, seven years on, the assessments haven't all been completed, let alone new management measures considered and put in place. Every day we delay action is another day when our food webs are out of balance.

Another significant intervention would be the introduction of a Marine Development Plan, so we can properly manage conflicts of use between fisheries, renewables, extraction, shipping and tourism. Again, the Welsh Government has agreed that our pre-existing Marine Plan will go in a similar spatial direction, in order to set out that balanced approach; but no action has yet been taken and that particular department remains hugely under-resourced.

On a UK level, the JNCC's Marine Biodiversity Monitoring Programme – an integral part of delivering commitments under the UK Marine Strategy – has never been funded and it's not clear if it ever will be or how the four nations would come together to do so. If our monitoring is patchy, then we have no hope of fully understanding, let alone tackling, the problem of decreasing marine biodiversity.

This is a common trend in Welsh Government when it comes to action on nature and climate; well-meaning policy, but without the scale, commitment, resources (either in people or project delivery) or follow-through to see the real benefits.

Funding available to the eNGO sector

Delivery of Welsh Government policy is increasingly dependent upon collaboration with the voluntary sector, and if we are to be able help in monitoring and delivering on anticipated nature targets, then we need to continue to exist and become resilient, so we can indeed join 'Team Wales' together in recovering nature. Those who have worked in the environment sector long enough see the same discussions recycled time and time again. It seems, every few years, someone decides "something must be done" – by which time the evidence needs updating and new people need informing. We need to strike while the iron is hot and cut out the need for further repetitive discussions by quickly taking positive actions.

A 2021 report by the Funding Centre, commissioned by WEL, shows that the environmental NGO sector is mainly supported by public donations and attracts the least government funding across England and Wales. It is a sector that needs more investment if it is to continue to contribute to tackling the nature and climate crises. Following Brexit, the pandemic and drop in available funding – with most funding from foundations being prioritised for those most at risk of collapsing – NGOs continue to struggle to survive. Many are able to cultivate their own membership subscriptions and fundraising efforts, so we can often provide good value for money in matching and topping up that public investment.

The most resilient basis for us is long-term funding that spans multiple years with a long-term strategy, alongside a recognition that capital funds alone will not cover the development and delivery costs of NGO activities. Full cost recovery can make or break bids, particularly for smaller environmental NGOs, with the cost of project support being a barrier for many. Core funding is still lacking yet is essential for policy and administrative consistency, retention of expertise, and to support project development capacity and collaborative working.

Capital funds often have a very short timeframe for spend, and timing can be crucial. For examples, funds that are only confirmed to an organisation in November might expect a project to be delivered by April, over winter months when the weather restricts the kind of work that can be done, and the potential extent of improvements can therefore be significantly reduced and restricted. Many projects require the host organisation to absorb long-term maintenance and legacy costs, which again, do not

come for free. Even a volunteer-led initiative needs coordinators, tools and responsible leaders to embark on it safely.

More development funding is needed for eNGOs (environmental NGOs), especially smaller eNGOs operating on smaller budgets. Specific project development funding would facilitate the development of more informed long-term projects, allowing us to be proactive, rather than reacting to funding as it becomes available and/or changing projects to meet one-off funding criteria. We recognise and appreciate elements of capacity and capability funding through Round 3 of the Nature Networks Fund. This is welcome and needs to be an annual occurrence embedded within similar funds. This should not, however, replace any forthcoming Investment Readiness Fund that supports organisations to test new finance investment propositions as this is much needed as a platform to enable further resources and funding into nature's recovery. England and Scotland already have schemes running; Wales is falling behind on this agenda and needs a framework to enable and encourage appropriate ethical investment.

In general, revenue funding is in short supply and it's ironic that the Welsh Government itself has made "a formal request to the UK Treasury to switch some of our capital budget to revenue during this financial year to meet the inflationary pressures", emphasising that they are "not requesting any additional funding, just the freedom to deploy our existing budget in a way that enables us to deliver our priorities without the artificial straitjacket of our current unsatisfactory fiscal framework". We would welcome the same level of flexibility and understanding from Welsh Government in deploying their grants.

Currently available nature-related grants and Deep Dive commitments

In June 2021, the Senedd declared a nature emergency, and in October 2022, the Biodiversity Deep Dive assessed how Wales can deliver the '30 by 30' target, reflecting commitments made at COP 15.

Many of the commitments made under the Biodiversity Deep Dive are for actions that are included in WEL's Pathways to 2030 report, and in our oral evidence to the Climate Change, Environment and Infrastructure Committee in June 2023, we called for the development of a costed Nature Recovery Action Plan for Wales, owned by the whole of the Welsh Government, across Cabinet. This would give a clearer picture of the

investment needed to deliver Welsh Government's ambitions for nature restoration and recovery, and enable the benefits of investment in nature and opportunities for integration and collaboration between portfolios and sectors.

The first recommendation of the Biodiversity Deep Dive is to: "Transform the protected sites series so that it is better, bigger, and more effectively connected", with actions including "expanding and scaling up the Nature Networks Programme to improve the condition, connectivity and resilience of protected sites." This has been endorsed by the latest State of Nature 2023 report, outlining the continued decline of our wildlife, with 18% (1 in 6) of our species at risk from extinction, including the Fen Orchid, Water Vole and Sand Lizard. Moreover, continued pressures on wildlife mean that Wales is now one of the most nature-depleted countries on earth. The abundance of land and freshwater species has on average fallen by 20% across Wales since 1994. Wales has committed to ambitious targets to turn around the loss of nature and whilst there is some progress, the response is still far from what is needed to delay the scale and pace of the crisis.

The Nature Networks Fund – via Welsh Government funds, administered through the National Lottery Heritage Fund (NLHF) – is an excellent opportunity to focus on reversing these trends, but in Round 3 this year, members were informed that Welsh Government have cut £3.37m. This sliced the budget available from £12.27m to £8.9m which, including administration fees for NLHF, is a reduction of 27%.

The timing of these budget discussions, and consequent uncertainty, impacted the ability for NLHF to deliver its large grant funding programme and this vital opportunity has now been lost for this financial year, meaning no grants in the larger bracket will be awarded to start delivery in 2024/25. This is a massive blow to the environmental voluntary sector who have long awaited this funding programme as one of the key tools for delivering on 30 by 30 and the other Deep Dive recommendations. The introduction of project development funding was a welcome part of Round 3 of the Nature Networks Fund; however, the expectation that these should be shorter than two years curtails ambition. Meaningful development activity can have a longer timeline to develop robust foundations on which to launch a delivery project. Moreover, capping organisations to one application per organisation lacks parity across the sector and is stunting ambition.

This comes after Ministers and Welsh Government officials have repeatedly cited the Fund as a key pathway for support for collaborative habitats and species ambitions within protected sites. In 2022, WEL members were informed that the NLHF received 36 Expressions of Interest – totalling more than £30m – for the larger two-stage process alone. This is three times more than the total available budget under both the large and medium Nature Networks opportunities, and shows the level of demand, need and opportunity to deliver at scale. In anticipation for this Round, RSPB Cymru alone spent months and tens of thousands of pounds developing programmes and projects in partnership with others, in the hope of NNF3 support to deliver on 30 by 30 ambitions in 24/25 and beyond.

Many funding pots focus on habitat conservation, but we must not ignore the need for specific, targeted species conservation as well. Funding needs to remain available for this sort of work, inside and outside of target habitats. Similarly, lots of projects, understandably and admirably, call for community engagement as part of project criteria – however, many of our priority habitats and/or species are in remote or particularly rural areas with restricted access (e.g. the Large Heath Butterfly), which can severely limit opportunities for public engagement. We do not think that difficulties meeting public engagement targets in these circumstances should count against bids. In these cases, there is nearly always still an argument for indirect public benefit, with citizens depending on clean air, water and resilient food systems to thrive. Just because there isn't an immediate or direct visual benefit to a community, doesn't mean they won't benefit more broadly, or that nature's intrinsic value is worth any less because it's initial recovery area isn't near a populous area.

Need and Impact assessment of budget cuts

Despite the nature emergency being declared and clear evidence of its need for support, current funding opportunities for nature impact at scale in Wales are considerably lower than 5 years ago, and the nature sector is facing a death by a thousand cuts. There is no replacement to post-Brexit EU LIFE funding in sight; a lack of current landscape-scale partnership funding available through National Lottery; other mechanisms such as Rural Development Plans unavailable; no specific species funding programme such as the Species Survival Fund in England; a gap in certainty of support for land management before the new Sustainable Farming Scheme is in place; and no clear route or timetable to support and guide appropriate conservation investment from private sources into Wales.

Whilst medium grants up to £250k like The Woodland Investment Grant (TWIG), Local Nature Partnerships programme and indeed the medium Nature Networks Fund are welcome, they are not fully addressing declining biodiversity; nature needs us to act across landscapes, together and at scale, with a true Team Wales approach. Therefore, by design, they fall short of delivering against the very heart of connectivity depicted by Lawton's principles and NRW's Resilient Ecological Networks of bigger sites, better condition, more of them and better connected.

The large funding facility (£250 – £1m) within the Nature Networks Fund was the only grant route for funding truly collaborative partnership delivery for multiple years (in order to meet 30 by 30 targets) available through Welsh Government. Without such funding support, projects in their current form and scale cannot progress and yet another year will pass without progress to support nature in a time of urgent need. Anything under £250k makes it very difficult to work at the scale we need to involve multiple partners and make a strategic difference.

As already noted, most of these funds require community-level involvement as well; whilst we applaud the principle and try to do this wherever and whenever we can, some areas in urgent need of attention do not have any nearby communities or any people that are able to contribute to its work. We cannot dismiss nature projects just because they are too remote or the actions too specific / requiring certain levels of expertise, to enable them to include the desired level of diverse communities. Some natural areas are truly hard to access, but it doesn't make them any less worthy of regeneration and recovery, but with that recovery, many places can become MORE accessible in future.

As a way to tackle some of these issues, we call for the following in budget discussions:

1) Don't make nature the scapegoat in budget cuts: Protect nature budgets for 2024/25, including capital revenue mix within Nature Networks 4 Fund (NNF4).

2) Reinstate and prioritise the large grants funding facility within NNF4: this will enable impact for nature at scale and help connectivity-supporting collaboration across the sector.

3) Prioritise the early launch of NNF4 in 2024/25: The current scheme runs one round launching in late summer, with award in March the following year. This is not an effective and efficient way of funding nature as most work needs to happen in Autumn, Winter, and Spring. Bring forward NNF4 to allow projects to be signed off in September and delivery and impact soon after. This will help make up for no large grant facility this year. One route forward would be to launch early in 2024 and run a second round in the autumn – more than one round each year would enable projects with different seasonal requirements and also give early notification of deadlines within each year. The latter is really important to help plan projects for bids. Longer term project opportunities are always far better, and we know that is asked for across different sectors and organisations, because long term planning can only be enabled by long term funding.

Rural Affairs budget

Due to the nature of the Common Agricultural Policy, much of nature's declines have been due to historic agricultural practice that went in the opposite direction of nature-friendly. It is not the sector's fault, but this needs to be rectified; as the main driver of loss, it must also be the main driver of recovery.

In straitened financial times, spending on farming and nature has to be efficient, effective, and delivering value for money. With a squeezed Rural Affairs budget, spending must be well targeted, and this includes sending clear positive signals to 'pathfinder' farmers. These are the innovators who will, with the right investment support, lead the transformation of the farming sector to a new default position, where production of food and nature are seen as complementary purposes of farming and rural support. Investing in transformation must be weighted towards supporting change, rather than maintaining the status quo. Unfortunately, very little seems to have been done on working with pilot or demonstrator farms, to help support peer to peer learning and collaborative practice.

The Sustainable Farming Scheme (SFS) needs to ensure that its budget delivers management at scale, as well as restoration and enhancement. This will require a balance between the Universal, Optional and Collaborative elements of the budget. It also means that the shift from basic payments likely needs to be more accelerated than the linear 20% annual reduction, which appears to be under discussion. Such an approach will not sufficiently actively encourage farmers to begin their transitions as

early or as quickly as is needed, given the scale of change required. This, in turn, means that value for money will be compromised in terms of the scheme's and the Government's nature recovery aims.

With the Scheme still not finalised and the Agriculture Act being quite high-level, we are still not assured that this will be implemented properly and are very concerned about the anticipated drop in funding. In the Finance Minister's statement in October, she said the Rural Affairs revenue budget needed to be reduced by £17.3m, and the capital budget by £20.2m. We would be keen to know where this will fall; i.e. if the Sustainable Farming Scheme (SFS) is going to be as low as £200-250m available in funding. We consider it essential that the funds are targeted into top actions for nature and climate. The majority of the budget should be allocated to land management actions delivered through the Optional and Collaborative layers of the SFS. These actions must be built upon an effectively monitored and enforced regulatory regime and SFS Universal requirements that raise farming standards for nature and climate. Whilst we continue without a strong regulatory baseline, pollution will continue and intensive farms that create that pollution will continue to profit whilst the taxpayer cleans up their outputs.

The Habitat Wales Scheme – the interim scheme between Glastir schemes and the SFS – is offering payment rates 45% lower on average than habitat payments in Glastir Advanced, and no support for whole-farm organic management. At the time of writing, the Rural Affairs Minister has indicated that a budget for organic support is available. This is a positive development that, if confirmed promptly, could prevent a potential collapse in the Welsh organic sector.

The Minister stated that Habitat Wales provides a 'seamless transition' to the SFS, but we're very concerned that the reduction – coupled with the ongoing uncertainty about the SFS – may place wildlife habitats at risk; Glastir contract holders seeking to maintain their incomes during these challenging times may have no choice but to move away from nature-friendly farming practices. Farmers may also conclude that the Habitat Wales Scheme's low payment rates set a precedent for the SFS, resulting in increased uncertainty and lost opportunity for nature friendly farming.

This move risks undermining years of investment in agri-environment measures and the gradual building of trust and credibility of these tools with farmers. Payment rates for management of important habitats are much lower than in previous schemes.

Forward thinking farmers – those who have been incorporating more nature-friendly practice into their businesses already – are looking at the payment rates on offer and wondering whether they have been making a strategic mistake.

We would question if the payments in the Habitats Wales scheme represent a 'rehearsal' for the rates which farmers can expect to see in the universal element of the SFS. If so, it would not be unreasonable for farmers to argue that reduced payments should be mirrored by reduced scheme requirements. This raises the uncomfortable prospect of the SFS offering its widest universal entry as a kind of 'bargain basement', where modest amounts of money secure modest environmental benefits. In the context of Welsh nature in crisis, this would be a poor outcome. It is imperative that the SFS universal layer rewards only positive management of habitats. If instead, it is payment for registering habitats without clear commitments to specified good management, this will undermine the efforts of those farmers striving to do their bit for nature.

A full-scale holistic transition in the farming sector should also lead to savings in the NHS, and we must not lose sight of these longer-term goals in the face of current budget shortfalls. The Welsh Government's 'Healthy Weight: Healthy Wales' consultation document reported that illnesses associated with obesity are projected to cost the Welsh NHS more than £465m per year by 2050, with a cost to society and the economy of £2.4 billion. On top of this, recent research by WWF-UK suggests that a food system more closely aligned to their proposed Livewell diet would supply people with more affordable food than the current diet. This is achieved while still enabling a significant export market for certain products, including lamb, milk, beef, and oils.

The SFS, done right, could be a game-changing tool for nature. We must not lose this opportunity. And we must not lose a generation of farmers who want to farm with nature.

Wales Environment Link (WEL) is a network of environmental, countryside and heritage Non-Governmental Organisations in Wales. WEL is a respected intermediary body connecting the government and the environmental NGO sector. Our vision is a thriving Welsh environment for future generations.

This paper represents the consensus view of a group of WEL members working in this specialist area. Members may also produce information individually in order to raise more detailed issues that are important to their particular organisation.

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