Cyswllt Amgylchedd Cymru | Wales Environment Link

Finance Committee: Pre-scrutiny for Welsh Government Draft Budget 2026-27
Deadline: Friday 26th September 2025

Summary

Whilst we're aware that the Welsh Government will only be putting forward a replicated budget from last year, plus inflation, we have submitted this paper to the committees to help guide scrutiny and to keep making our case to both Welsh Government and the Senedd on investing in nature recovery.

Q5: Are Welsh Government plans to build a greener economy clear and sufficiently ambitious? Do you think there is enough investment being targeted at tackling the climate change and nature emergency? Are there any potential skill gaps that need to be addressed to achieve these plans?

Economic benefits of nature

Too often, nature is seen as simply 'nice to have' and is sidelined if it appears to come into conflict with economics. This is short-sighted thinking. The survival of every living thing depends on clean air and water and healthy food, and these are things that only nature can provide; whether it's trees creating and filtering the air we breathe, soil quality as the foundation for all the food we grow and the livestock we rear, or pollinators that are essential to the success of most of our crops. We know that the climate crisis is making droughts more frequent, pollution has severely reduced water quality and insects are in serious decline, and yet policy decisions are still not treating the situation as the emergency that it is.

For our most precious places alone – Sites of Special Scientific Interest (SSSIs) – investment in them is often an afterthought. A 2010 DEFRA report found that every £1 invested in SSSI condition returned an additional £8 due to the wider societal benefits they provide. As well as that, the report goes into detail on the appreciation the public have for these sites being maintained, and surmises that "the public has a high willingness to pay for the conservation of charismatic species" (Summary, page 3).

WEL's Pathways to 2030 report sets out the costs and actions necessary to holistically tackle the nature crisis in Wales, and set us on a path where we can meet our targets to

protect and manage 30% of our land and sea for nature by 2030. It calls for an investment of £438m a year to restore nature; only 1.7% of the 2025/26 Welsh Government budget. This is entirely possible if Welsh Ministers decide to prioritise nature's recovery, and even more so if they set up processes to leverage in private investment and / or set levies to raise money for restoration, especially if they are in line with a 'polluter pays' principle (much like the carrier bag charge, when the proceeds previously went to environmental causes, it should ideally fund clean-ups for removing the single-use plastic polluting our land, rivers and sea).

Our recently published UK-wide report on the '30 by 30' target also shows that Wales is projected to miss its targets by some way. Since the next Welsh Government will be the one to succeed or fail in this area, this really should be more of a priority for whoever is in government from May 2026.

Private investment for nature and carbon

We need Welsh Government to lead on creating a framework that easily enables private investment into nature restoration. It seems a missed opportunity to implement a visitor levy without any direction towards investing in nature. Given the difficult position all councils are in on maintaining basic services, it will almost certainly (and understandably) all go to sustaining essential provisions rather than enhancing green spaces, even though it's Welsh nature that draws most of our tourism. Whilst we don't doubt that councils will use those funds well, and it will help people visiting to have better services, it would be welcomed if some could also be used for protecting and enhancing the natural areas that so many visitors come to see.

Our Innovative Funding paper – and our research into innovative funding mechanisms – sets out a range of ideas for taxes, levies and funds to be created from pollution products or processes, so that we have at least some small form of compensation to reinvest in our natural resources. For example, a levy on car insurance, on sun beds, taxes on pesticides or developing a general Climate and Nature Transaction Tax. We need to work creatively with investment companies to work towards their own net zero and nature-positive ambitions, to set us on a path where we can weather climate change and restore nature. With Welsh Government having limited abilities to raise funds, it's important that any opportunity we do have isn't ignored.

Code of Practice for Funding for Voluntary Sector

In April 2025, the Welsh Government – as part of the Third Sector scheme – published the Code of Practice for Funding the Voluntary sector in Wales. This was developed with representatives from Third Sector and Communities Team, Grant Centre of Excellence

officials, WCVA and a range of third sector representatives, including RSPB Cymru representing Wales Environment Link. Whilst advisory, these principles set the expectations for best practice funding relationships, taking into consideration the Wellbeing of Future Generations Act with early and continuous dialogue, long-term thinking, appropriate funding mechanisms and full cost recovery as key elements. Moving forward, all grant funding programmes should consider these principles when developing and delivering funding schemes.

Nature funds

The Nature Networks Fund is Welsh Government's primary grant funding programme for protected sites across Wales. This fund is administered by the National Lottery Heritage fund with around £10m budget per annum over the last 5 years. It is often heavily oversubscribed.

There are two Nature Networks opportunities per annum, one being up to £250k and one being up to £1m for three years. In next year's budget, it is not just about considering next year, but how that sets the pace for the next 5-year programme. Nature needs more commitment in both size of budget and size of grant available, taking into consideration next steps in landscape-scale works and commitment to nature recovery needs. There is a lack of clarity of what is achieved by the Nature Networks Programme support and how this interrelates to the Nature Networks grant programme. Ensuring this grant programme take into consideration inflation needs and doesn't just expect the same for less is also very important. A doubling of the grant budget per annum to £20m and a focus more on large scale ambitions (i.e. 90% of the budget spent on large projects, since this is the only fund available that can deliver at this scale) would enable more ambition to be supported. Increasing the ceiling to £2m for large grants, with delivery up to 5 years, would also enable better outcomes. An additional £5m per annum could enable larger projects between £3-5m for those at catchment scale, running for 5 years.

In the marine area, we have very much welcomed Welsh Government funding to support the delivery of the first phase of National Seagrass Action Plan (NSAP). The NSAP provides a strategic, long term, coordinated programme for seagrass restoration across Wales, an incredibly effective blue carbon store. Given cross sector support and the progress to date, we consider it vital that Welsh Government includes funding in this budget round to continue NSAP implementation, in order to deliver Wales' commitment to halt seagrass loss and support recovery of at least 266 hectares of seagrass by 2030.

As we have pointed out repeatedly before, the loss of EU LIFE funds is a significant loss to the environment sector, and now that the UK Government seems to be re-profiling its 'Levelling Up Fund' and 'Shared Prosperity Fund', we'd see this as an opportunity to create a form of replacement for EU LIFE, ideally for a cross-border (or at least accessible to all four UK nations) fund that can supply those kinds of multi-million restoration projects which make such a significant contribution to nature restoration. There have been no updates from UK Government as to the direction of this, only that it is 'under discussion', and we'd urge Welsh Ministers to make the case for an environmental aspect of the future funds. Or, at least environmental skills, if it is to remain focused on jobs and economic growth.

Skill gaps and a National Nature Service for Wales

Whilst we're most certainly in a nature crisis, we must remember that great things can come from crises, if they're responded to like they should be, with decisive action and investment in turning it around. Previous political decisiveness led to the Civilian Conservation Corps (CCC), set up by President Roosevelt as part of the New Deal in 1933. It's been described as "a peacetime army", established to "battle against destruction and erosion of our natural resources". It's this concept that inspired a lot of the current work on such a vehicle for Wales.

It's been disappointing to hear Welsh Ministers laud those developing it, but simply say they are "watching them very closely" in trying to leverage in private investment, rather than assisting in creating structures that can actually help achieve this , in a way that only a government can, by providing assurance, leadership and replicability to other models.

A Welsh Government commitment could have a significant impact; thanks to the CCC, the USA in the 1930s saw millions of acres of public and private land restored with over 3 billion trees planted. The CCC also created trails and shelters in over 800 parks across America, and set up natural and protective infrastructure, like fire roads in forests and 3,470 fire towers. Erosion control was a significant focus; interventions to stop soil eroding took place on over 20 million acres. They also created drainage for agricultural land; protected grazing animal regimes, which keep the soil healthy; and created and improved habitats for wildlife, particularly focusing on restoring streams.

Just as importantly, millions of young, unemployed men between the ages of 18-25 were given employment and trained in much-needed environment management skills. It's estimated that nearly 3 million took part in the CCC over its nine years. It's a shame it didn't have a firm legacy beyond that first decade as, more than ever today, we need

to support people to be trained in this field and to have good jobs available to young people who want to restore our environment, before it's too late.

It would be a win-win for job creation, vital up-skilling in a future-proof fashion, and for the sheer numbers of people we need tackle the nature and climate emergency. It would also address important capacity gaps in the ecology sector, that CIEEM have been highlighting, reduce the heavy reliance on unpaid voluntary work, and upskill in areas where we will desperately need expertise in the coming years. We cannot just declare emergencies and not shift the way we shape our economy to respond to it; the National Nature Service is the way we can shift our skills, help young people with jobs and retrain those in unsustainable industries with a clear route to skills that are more necessary than ever. Support for it would be a vehicle for increased investment in skills development, community-led conservation, inclusive access to nature-based career opportunities, awareness raising and early intervention through environmental education, all of which align with Welsh Government priorities while building climate, environmental and community resilience across Wales.

There may have been some progress in this area internally, and we'd appreciate the CCEI Committee asking follow-up questions on the Nature Workforce Survey commissioned by Welsh Government in Spring 2025. It was briefly described as an exercise to "gauge the size of the workforce available in Wales to address the nature emergency", and circulated across organisations like our members, but we've yet to hear what the valuable data was feeding into.

Transition to OEGW funding

The budget period for 2026-27 must include appropriate resources for the transition from the Interim Environmental Protection Assessor for Wales (IEPAW) to the Office for Environmental Governance Wales (OEGW). The table in Para 8.3 (p.203-204) of the Explanatory Memorandum for the Environment (Principles, Governance, and Biodiversity Targets) Bill outlines the costs required for each year of the transition period (although these do not reflect the cost of inflation and the impact this will have on the OEGWs functions). The total undiscounted cost for the transition to the office are as follows:

- 2025: £480,000
- 2026: £2,812,800
- 2027: £2,462,600

These costs must be incorporated into the budget to ensure the establishment of the OEGW happens at pace and is not unnecessarily limited due to budgetary constraints.

Multi-year funding for the Sustainable Farming Scheme

WEL has consistently called for Welsh Government to commit to a well-funded, multi-year budget for the Sustainable Farming Scheme. Sustainable land management requires long-term planning and investment, and a multi-year commitment is essential for Wales to deliver the transition to environmentally sustainable farming and reverse nature loss. Without it, many farmers will be unable or unwilling to change practices at the scale required. The SFS, though years in development, represents a major shift in farm support, and its environmental focus - particularly around net zero - is not yet widely accepted by the farming community. A multi-annual budget would send a clear signal of policy intent, demonstrating that government is serious about supporting farmers through this transition.

Such a commitment would also provide the stability needed to develop blended finance models. These models rely on predictable government support to establish the baseline of financial security needed to attract private investors. Without private investment in nature restoration, we do not believe Welsh Government will be able to deliver a transition to Sustainable Land Management, given the scale of funding required. This failure would damage confidence in government-led environmental policy among farmers, further setting back progress.

Multi-year funding in general, for all types of grants and funds, gives a much more stable footing for organisations. Natural Resources Wales would also benefit from a three-year settlement, as set out in their Annual Scrutiny at the CCEI Committee earlier this year. They have to presume that workstreams for several years will be funded again each year, but only have verbal commitments from Ministers to go by.

Q7: Is the support provided by the Welsh Government for third sector organisations, which face increased demand for services as a consequence of the cost of living crisis and additional costs following increases to National Insurance Contributions, sufficient?

National Insurance & Natural Resources Wales' grants

The third sector has previously written to the Welsh Government, through WCVA, outlining the difficulty that increases to employer's national insurance (NI) contributions are causing NGOs and charities already under financial strain. The letter called for uplifts in grants and contracts in line with these additional costs, and we were glad to see the Welsh Government commit to funds (in the 2025-26 Supplementary Budget) to help Welsh public services with these costs. However, it seems this policy was only for public

sector employers, as Natural Resources Wales are not implementing this policy in their grants process. The Supplementary Budget breakdown in this area shows £2.708m going to the Climate Change and Rural Affairs MEG, although it's not clear which organisations this was then passed along to.

Natural Resources Wales provide grants to NGOs that are helping them with environmental restoration and monitoring, and they have recently (in late August 2025) indicated to recipients that they will not cover NI costs of up to £10,500 from grant claims. Their guidance note states: "If Employer National Insurance (NI) costs have already been covered through a government relief scheme, they're considered reimbursed. Including these in your grant claim would count as double funding, which isn't allowed under the grant rules". So, by design, this cancels out the employment allowance from UK Government, of up to £10,500 to help employers reduce their liability, and such a small amount of relief is highly unlikely to make much of a dent in an NGOs' costs, except for the very smallest of organisations. This is not what's intended by 'relief funds', to take it away in another form and to end up just as financially stretched as before. This suggests a serious misalignment of policy, and we hope the Committee will ask Welsh Ministers if this is what's intended. This approach has not been applied in other grants (such as those from the Heritage Lottery Fund or the Nature Networks Fund).

This also comes at a time when the fixed overhead provided of 12-15% is no longer covering overhead costs adequately. This is particularly true for smaller eNGOs which have the same kind of overheads as a larger one, but a smaller number of staff to process them and run the organisation. We appreciate the difficult financial situation across public bodies too, but it's very unfair for charities - who are helping public bodies fulfil statutory duties and meeting international targets on pollution, recovery and protection - to be put in a more precarious financial situation than any other organisation, and continually expected to do more with less, without expecting them to break.

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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