

CCERA Committee: Response to the Draft Budget for 2021-22

January 2021

Summary

This is a high-level response to the Draft Budget, as it effects the environment, from Wales Environment Link members. The environmental NGO sector is still very much suffering from uncertainty on funding and future prospects, but we welcome the Welsh Government's direction towards a 'green recovery' as we emerge from the pandemic.

We particularly endorse the recommendations from the recently published two reports from Natural Resources Wales' Green Recovery Task and Finish Group. We would urge all Welsh Ministers – not just the Environment Minister – to embed and consider how they can fulfil these recommendations in all future decision-making.

The Draft Budget places particular emphasis on protecting public health, which WEL would strongly agree with. However, too often it seems that nature's role in protecting and creating physical and mental health is overlooked.

The pandemic has significantly emphasised inequalities in health and access to green spaces and the Welsh Government's Budget Narrative¹ acknowledges this, highlighting that people have turned to nature and placed a greater value on the benefits of our natural environment during lockdown. A report commissioned by the National Trust last year on 'Levelling Up and Building Back Better through Urban Green Infrastructure' identified the need to invest in improving green spaces to tackle public health, alongside the estimated health savings of doing so. Nature – including improved access to green spaces and more green prescribing – has a positive role to play in addressing public health priorities. The report recommends a £5.5bn capital investment, which in return would deliver approximately £200bn in physical health and wellbeing benefits.

This evidence should be heeded and all governments should be making this a priority; unlike the broad priorities suggested for the UK Shared Prosperity Fund (UKSPF) so far, which seem to be around employment, skills and regeneration, without joining it up with other key policies. The UK Government's response to the Welsh Affairs Committee's report² on this does say that: *"Investment must be fit for the future and should be aligned with the Government's clean growth and Net Zero objectives. The UKSPF will also take into account the specific needs of our rural communities and rural economies."* As highlighted in our own evidence³ to this inquiry, the fund has been a catalyst for substantial investment in Wales' natural environment. Since LIFE's inception in 1992, eighteen nature and biodiversity LIFE projects have taken place in Wales with a total value of over €65m. This is estimated to have produced nearly £250m in economic growth, and over £1bn in ecosystem services. The loss of LIFE would not only threaten Welsh nature but may also put livelihoods at risk.

¹ Welsh Government, 2020. [Draft Budget 2021-22 – Budget Narrative.](#)

² Welsh Affairs Committee, 2020. [Government Response to Committee Report: Wales and the Shared Prosperity Fund.](#)

³ Welsh Affairs Committee, 2020. [Written evidence submitted by Wales Environment Link.](#)

We also note the Welsh Government's additional funds for flood prevention, which we very much welcome, but **only if this investment is used for nature-based solutions as far as is possible**. Nature based flood defences are not only more effective but have better outcomes for nature all round, as well as being the best way of protecting people's homes from significant and irreversible damage. We also very much welcome the Budget Narrative's assertion that infrastructure should *"avoid locking-in further carbon emissions [...] alongside the impacts infrastructure has on biodiversity"*. It's important this is embedded at every level, which Planning Policy Wales has begun to do.

Outside of the Environment MEG, we also note the additional capital funding of £8m to "support the key tourism and creative sectors within our economy", which includes taking forward associated decarbonisation and biodiversity programmes. We would emphasise the need to avoid negative impacts on the environment through tourism development and WEL members hope some of this investment can go towards strengthening nature-based tourism in Wales, particularly given its prominence as a significant draw for both local and international tourists in pre-pandemic times.

We need to stop seeing nature and people's wellbeing as separate things; people's wellbeing is intrinsically linked with nature's wellbeing. The more we can align these priorities, the better the future for both us and the environment.

Increase to the Environment Main Expenditure Group (MEG)

The Environment MEG, at first look, appears to have increased dramatically – by 105% – from last year's £348m to this year's £719m. However, this is predominantly due to £242m worth of farming payments now being included, since the funding has changed from coming straight from the EU (or at least not being represented in this manner within previous Draft Budgets) to being transferred from the UK Government. **We share the Welsh Government's concerns of this not being at the level expected, but very much welcome the policy direction from Welsh Ministers to move towards a system of public goods for public money going forward.**

After taking into account the £242m for farming payments, we note that there is also a transfer of BELs from the Housing & Local Government MEG, due to the realignment of Ministerial portfolios from October 2020, with 'Landscape & Outdoor Recreation' and 'Resource Efficiency & Circular Economy' returning to the Environment MEG.

As a result, the bulk of the increase can be attributed to those two reclassifications, rather than genuine new investment in the Welsh environment. Once this is understood, as stated in the explanatory paper to the CCERA Committee⁴, there remains a modest, but welcome, net increase of £33m or 7% to the MEG. The Welsh Government lists the direction of those allocations as below.

Application of Additional Allocations (£33.222m)

- Energy – Fuel Poverty: *£1.058m*
- Energy – Welsh Government Energy Service: *£2.334m*
- Energy – Climate Change Action: *£1.608m*
- Flood – Coastal Risk Management Program (CRMP): *£3.363m*
- Biodiversity – Biodiversity, Evidence and Plant Health: *£3.55m*
- Biodiversity – Landscape and Outdoor Recreation: *£1.45m*

⁴ Welsh Government, 2021. [Welsh Government Paper: EERA MEG Proposals in Draft Budget 2021-22.](#)

- Resource Efficiency and Circular Economy: £6.624m
- EU Funded Fisheries Schemes: £2.1m
- Agriculture EU Pillar 1 Payments (BPS) top up: £6.855m
- Rural Development Plan: £4.280m

As is the norm with Welsh Government budgets, information on the specifics of these expenditure lines is regrettably limited. Given this, **we would be interested to hear more from Ministers, particularly on how the additions to biodiversity can be deployed to restore nature, in both terrestrial and marine environments.** We would particularly query if all of the funds to restore Natura 2000 sites are contained within Natural Resources Wales' (NRW) budget, or if there's additional parts within other BELs, such as the Landscape BEL (which we would also suggest should include 'Seascapes' if the purpose of this BEL is to restore nature on both land and at sea. We appreciate that the merging of marine and land policy isn't simple, but we would at a minimum like to see the marine area better represented and prioritised in budgets, rather than just sidelined to 'fisheries' BELs).

In addition, it would also be **helpful to know if any of the intended budget for Natura 2000 restoration was rolled over from last year's (potentially unspent) budget, with implementation prevented due to the pandemic.** We would also like to know if these include marine sites and strongly encourage both land and sea to be included.

The Welsh Government states that their commitment to reverse the decline of biodiversity *"is driven in a large part by NRW. NRW will be required to deliver a programme of work on the restoration of peatlands and some of our Natura 2000 sites"*. Whilst WEL would agree that NRW needs to be a key driver behind this, we hope they are supported and encouraged, both financially and via any other necessary mechanisms, to do this in a **collaborative approach with the whole public and third sector.** It is a significant concern if they are expected, or intend, to deliver a reversal in the decline of Welsh nature single-handedly.

We would also welcome a greater explanation of how these expenditures are contributing to the delivery of Nature-Based Solutions (NBS) to the Nature and Climate Crisis. This is especially important in the context of the upcoming UN Biodiversity Conference (CBD COP) for which NBS will be a primary focus.

The Budget Narrative⁵ states: *"We are allocating an additional £5m for biodiversity and the National Forest, taking the overall budget to £32m in 2021-22 allowing us to build on the projects and programmes we have in place to help meet our national and international commitments for biodiversity, tackling the nature and climate emergencies whilst ensuring that our recovery from COVID-19 is truly a green one. This includes continuing to take action to support the restoration of Natura 2000 and other protected sites, havens to our most valuable and threatened species and habitats. We will also continue investment in the restoration of our Peatlands through the National Peatland Action Programme (NPAP), delivering benefits for biodiversity whilst also helping to tackle the effects of climate change through increased carbon capture and flood prevention. Alongside this we will continue development of the National Forest to provide opportunities to enhance biodiversity through better connected and managed woodlands"*. **Whilst this increase is welcome, it is modest compared to needs** – for example, an analysis of the costs of sustainable land management in the UK⁶ for RSPB, the National Trust and The Wildlife Trusts estimated that it would cost £120m annually in Wales to

⁵ Welsh Government, 2020. [Draft Budget 2021-22 – Budget Narrative.](#)

⁶ Matt Rayment, 2019. [Report for RSPB, National Trust & Wildlife Trusts – Paying for Public Goods from Land Management – How much will it cost and how might we pay?](#)

maintain, create and adequately restore our priority habitats. This breaks down into £70m capital costs for creation and restoration, with annual maintenance costs of £50m.

The same report indicates that environmental land management more broadly in Wales costs £227m per year, which increases to £273m when advice supporting High Nature Value farming and long-term changes to land management are considered.

Ultimately, when done correctly, **investment in nature also creates jobs**, as well as the wider benefits associated with **public wellbeing, long-term resilience to climate change, access to nature and reversing the decline of endangered species and habitats**. We urge the Welsh Government to truly embed the green recovery in its budget-setting so we can tackle the nature crisis effectively.

Key points from Green Recovery Taskforce reports

Over the pandemic, WEL members have been involved with the Ministerial-commissioned Green Recovery Task & Finish Group, led by Natural Resources Wales' Sir David Henshaw. We very much endorse the two resulting reports and the impetus to develop a Green Recovery Delivery Partnership. The 'Priorities for Action' paper⁷ highlights driving forward proposals that focus on:

- *“Reducing carbon emissions and increasing resilience to the impacts of climate change*
- *Reversing the decline in biodiversity and connect people and nature*
- *Contributing to tackling unsustainable levels of production and consumption by keeping resources in use for as long as possible, avoiding all waste and moving to more sustainable alternatives.*
- *Job creation, skills development and new markets*
- *Groups, communities and places that are most vulnerable/ have been hit hardest are prioritised to address the underlying inequalities and deprivation”.*⁸

It seems that the Welsh Government are keen to move at speed with this agenda, but we need to see more focus on delivery and outcomes, rather than just plans, reports or unfulfilled recommendations. **Especially as this truly seems like the last opportunity to implement systemic change to ensure the climate crisis and nature crisis can be tackled with purpose.** We very much hope this drive is borne out through clear benefits to nature and we look forward to working within WEL and with NRW and the Delivery Partnership to keep up the momentum and their call for further ideas in the February 2021 call for proposals. We would particularly hope to see more ideas surrounding the marine environment as there appears to be a gap on this. Only 15 marine-related submissions were received from over 150; a lack of capacity to input (or a lack of relevant organisations to input at all) is a cause for concern, especially with a sea area as large as Wales'.

The second report⁹ on stabilisation highlights the worrying vulnerability of the eNGO sector and the difficulties we face in staying afloat. The National Lottery Heritage Fund £920k for capacity building¹⁰ was very welcome in this regard; with a short timescale, not all eNGOs have been able to apply but we are hopeful it will still have a positive impact. At present, this is the only significant recommendation to be carried forward so far from the two reports, but we hope the approach will guide all decisions within the Environment MEG – and others – going forward.

⁷ Natural Resources Wales, 2020. [Report: Green Recovery – Priorities for Action.](#)

⁸ Natural Resources Wales, 2020. [Press release: Priorities for action and next steps for the green recovery from Covid-19.](#)

⁹ The Funding Centre / NRW, 2020. [Report: Green Recovery – Supporting the environmental sector in Wales.](#)

¹⁰ National Lottery Heritage Fund, 2020. [Green Recovery Capacity Building Scheme.](#)

The recommendations highlight the need for eNGOs to be able to rely on some form of core funding and to be able to have central costs covered whilst submitting bids for project costs. Recommendation two also highlights that this limited funding environment can also deter collaboration as NGOs compete for small pots of funding. It also recognises “*a broad sense that key players in the sector are and have been for some time, focused on their immediate survival and unable to invest time in longer term planning*”; we very much hope that the Partnership – pulling together public, private and third sectors – will help us to plan long term and pull together for a collaborative green recovery.

How can we ensure the green recovery is resourced?

In WEL's Innovating Funding paper¹¹, we set out comprehensive suggestions on how we can develop additional streams of investment – both public and private – for taking swift action to restore and protect nature. It recommends a range of mechanisms to leverage this, such as levies or taxes, pioneering funds and Nature Bonds (already established for restoration projects in Scotland and England, as well as commonplace in many countries outside the UK), alongside a project stream – much like the Wales Infrastructure Investment Pipeline – of viable restoration projects which can be taken forward by a range of partners.

We are delighted that both the Welsh Government and NRW have recognised the need to develop such funding mechanisms as a priority in 2021 and WEL members continue to work with both to take the issue forward. **We need to be creative and willing to try new ways of working to ensure our ecosystems are prioritised enough to recover, or they will continue to decline and the opportunity to revive them will be lost. There is a range of ideas in the paper and we would implore Senedd Members to consider these in detail.**

Repurposing last year's budget

As set out in the First Supplementary Budget¹² in May 2020, £24m was returned to the Welsh Government's central reserve from the Environment Main Expenditure Group (MEG), alongside other MEG contributions. Whilst we support resources being deployed in the most effective way possible in order to respond to the pandemic flexibly, it's important to note the changes that have happened in the interim between budgets.

Most of these – such as planning for COP 26 and face-to-face stakeholder engagement on the National Forest – were straightforward returns for events that would no longer be possible. But items such as the £4m removed from the Enabling Natural Resources grant programme will mean less nature restoration schemes in the pipeline and the £900k intended for evaluating the Natura 2000 restoration scheme we would expect to be needed further down the line.

Farming subsidies

The First Supplementary Budget also contained £231m from HM Treasury for direct payments for farming subsidies. This gives an impression of a large increase when it's instead a change of presentation of figures; i.e. the Welsh Government will be allocating this from their own budget rather than from the EU's from now on. This change, however, will perhaps better demonstrate the range of mechanisms by which we can tackle the nature and climate crises. In future – as the Welsh Government continues developing an approach that embeds payments for restoring and maintaining nature and the ecosystem services this provides – we would

¹¹ Wales Environment Link, 2020. [Briefing: Innovative Funding for Welsh Nature as part of a Green Recovery.](#)

¹² Welsh Government, 2020. [Explanatory Note: First Supplementary Budget.](#)

like to see farming payments broken down into the different kinds of restorative work so we can better evaluate the total amount gone into reviving and sustaining nature.

Marine and fisheries

Despite a net increase of £33m into the Environment MEG, no additional funding has been made available for 'Marine and Fisheries', with the exclusion of a £2.1m fund allocated to EU Fisheries Funding Schemes to account for the exit from the EU. This is disappointing in the context of the Welsh Government's commitments to a Green Recovery.

While we understand and fully respect the additional pressures placed on fisheries following Brexit, **we must continue to express concerns surrounding the disproportionate focus on fisheries within the 'Marine & Fisheries' Division. This existing focal imbalance is further emphasised through the terminology used in the current BEL Action of 'Developing and managing Welsh Marine, fisheries and aquaculture including the enforcement of Welsh Fisheries', whereby no direct reference is made to the environment or biodiversity.**

While the terrestrial environment receives further breakdown of spending in certain sectors, e.g. 'Clean Energy' or 'Radioactivity and Pollution Prevention' within the Energy Division, no similar level of detail is made available for Marine & Fisheries. It would be hugely beneficial if this was revisited and would in turn ensure sufficient transparency and Ministerial accountability. We would be particularly keen to see the incorporation of a 'blue recovery' BEL.

In the CCERA scrutiny on the Draft Budget, the Minister stated¹³ that there was a lack of legal capacity to introduce new fisheries regulations. **This has potentially huge ramifications for whether we can move towards more sustainable fisheries management in Wales now that we are no longer members of the EU.** We would advocate for either a reprioritisation of legal time, or that additional budget is allocated to increase legal capacity to work on fisheries matters.

Shared Prosperity Fund and replacement of EU funds in Wales

The UK Government's Spending Review finally confirmed some details about the future Shared Prosperity Fund, with a pilot programme planned for 2021-22 to begin in April, worth around £220m for the whole of the UK to begin pilot projects. The details on this are still sparse, and promises of an increased amount to match previous levels of EU funding still uncertain. We are concerned about the amount as well as the focus for these replacement structures given reports that the funds will be accessible to a broader range of circumstances than Structural Funds.

The programme the eNGO sector will miss the most is the EU LIFE fund; it is particularly concerning that there doesn't seem to have been much consideration of its absence in UK-wide discussions. In December, the Minister confirmed at the CCERA Committee¹⁴ that discussions are ongoing with DEFRA and the other devolved nations about a potential replacement scheme. But she said these are still "very early stages" and options range between "a replacement at a UK level to one being administered by each country". Regardless of the outcome, WEL members would be very keen to hear regular updates on these discussions and for MSs to urge for this to be prioritized as a matter of urgency. Particularly given the precarious position of many eNGOs who previously relied on such funding, which may not be resilient enough to survive for an indefinite

¹³ Senedd Cymru, 2021. [Record: Transcript for session on 14/01/2021 – Scrutiny of the Welsh Government Draft Budget 2021-22 with the Minister.](#)

¹⁴ Senedd Cymru, 2020. [Record: Transcript for session on 10/12/2020 - Covid-19 and Transition from the European Union: Scrutiny session with the Welsh Government.](#)

period whilst discussions remain 'ongoing' and the pandemic prevents them from being able to find any kind of reliable alternative income stream.

An evaluation of LIFE in the UK for Natural England¹⁵ found that the programme has been particularly important in funding investment in large-scale nature restoration programmes, and found a good case and strong stakeholder demand for a future LIFE-like programme. In WEL's evidence to the Welsh Affairs Committee on the UK Shared Prosperity Fund, we advocated for nature to be an overarching principle of it, to ensure such funding strands are replaced quickly and equitably across the four nations: *"Given the urgent dual crises of climate change and our dwindling nature, **we believe increasing support for nature and reducing carbon emissions should be two of the overarching principles for investment of the Shared Prosperity Fund.** These are global problems, not just UK ones, and would be an ideal area for both UK-wide cooperation and local decision making to decide how it can most effectively be implemented on a local basis. The urgent nature of these issues, necessitating cooperation on a grand scale, would make these suitable (and likely well supported) principles, which would focus targeted action."*

It's a shame this doesn't seem to have been heeded in early indications of the scheme – with reports simply saying that more information will be forthcoming in the New Year – so if there is nothing akin to LIFE in the resulting replacement UK-wide funding structures, we would strongly urge for the Welsh Government to create one we can at least draw upon in Wales, in line with our green recovery.

¹⁵ Natural England, 2019. [Report: Evaluation of EU Life Fund in the UK.](#)

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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