

Scrutiny of the Welsh Government Draft Budget 2026-27

December 2025

Introduction

Our approach to scrutiny

- 1.** The Committee held an oral evidence session with Huw Irranca-Davies MS, Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs (the Deputy First Minister), on 20 November 2025 and with Ken Skates MS, Cabinet Secretary for Transport and North Wales (the Cabinet Secretary) on 26 November 2025.
- 2.** The Ministers provided evidence papers ahead of the sessions. These are available on the Committee's website.¹
- 3.** Due to time constraints, we were not in a position to hold an oral evidence session with Rebecca Evans MS, Cabinet Secretary for Economy, Energy and Planning. Instead, we wrote to the Cabinet Secretary with questions on budget allocations for energy and planning, which fall within our remit.
- 4.** Given the Committee's on-going interest in decarbonisation of housing, we also wrote to Jayne Bryant MS, Cabinet Secretary for Housing and Local Government with questions on budget allocations to support delivery in this policy area.

¹ Welsh Government, [Evidence paper on 2026-27 Draft Budget for the Senedd Climate Change, Environment, and Infrastructure Committee](#), 20 November 2025; Welsh Government, [Evidence Paper on Draft Budget 2026-27 – Transport Main Expenditure Group \(MEG\)](#), 26 November 2025



5. These letters are available on the Committee's website,² and draft budget materials are published on the Welsh Government's website.³

Overview of allocations

6. The Welsh Government has decided to make comparisons between 2025-26 and the 2026-27 draft budget allocations using a revised baseline. In summary, a 2025-26 revised baseline has been calculated, then an inflationary uplift applied to calculate the 2026-27 revised baseline. This report uses the 2026-27 revised baseline for comparisons.

7. The Deputy First Minister has responsibility for the Climate Change and Rural Affairs Main Expenditure Group (MEG). The total allocations outlined in the published draft budget are for the overall MEG. This includes rural affairs and these aspects will be subject to scrutiny by the Economy, Trade and Rural Affairs Committee.

8. The total resource allocation for Budget Expenditure Lines (BELs) relating specifically to the Climate Change and Environmental Sustainability within the wider MEG is £212.33 million, an increase of 5.4 per cent compared to the revised baseline, while the total capital allocation is £202.39 million, an increase of 16.4 per cent compared to the revised baseline.

9. The Transport MEG saw overall increases in revenue budgets of £29 million to £924.07 million (including non-cash) and £23 million in capital to £551.37 million.

10. After we had completed our scrutiny, the Welsh Government announced they had reached a budget agreement with Plaid Cymru.⁴

² [Response from the Cabinet Secretary for Economy, Energy and Planning to the Chair in relation to the Welsh Government draft budget 2026-27](#), 2 December 2025; [Response from the Cabinet Secretary for Housing and Local Government to the Chair in relation to the Welsh Government draft budget 2026-27](#), 1 December 2025.

³ Welsh Government, [Draft Budget 2026 to 2027](#).

⁴ Welsh Government, [Press Release, Budget Agreement](#), 9 December 2025

Part 1: Climate change

Climate change action

11. The climate change action BEL covers a number of areas relating to climate change: climate adaptation; the decarbonisation programme; decarbonisation innovation/smart living; the emissions trading scheme and carbon pricing; the climate led behavioural change programme; and international climate action. The resource allocation has increased from £3.81 million to £3.87 million, there are no capital allocations in this area.

12. The Programme for Government includes a commitment from the Welsh Government to embed its response to the climate and nature emergency in everything it does.⁵ The Deputy First Minister told us that tackling climate change “is not a siloed departmental issue”.⁶ We agree that the response to the climate and nature emergency needs to be integrated across government departments. We therefore pressed the Deputy First Minister on making it more explicit how responding to the climate emergency was embedded in decisions across Government. His official suggested the next iteration of the Net Zero Plan, due by the end of 2026, could be more explicit on which funding allocations support actions within the plan.⁷

13. The Deputy First Minister said that “we should have every Government action reflecting climate adaptation”.⁸ On the small uplift in the resource budget for climate change action support, he said:

“it may be a relatively small uplift in the allocation, but that small uplift allows us to keep that work going across other areas, so that it’s not siloed.”⁹

14. We are pleased that the Deputy First Minister acknowledged the need for increased levels of funding to scale up the delivery of climate adaptation. We note his comment that public funding alone is not enough and that there is a “need

⁵ Welsh Government, [Programme for Government](#)

⁶ [Climate Change, Environment, and Infrastructure Committee, 20 November 2025, Record of Proceedings, paragraph 8](#)

⁷ [Climate Change, Environment, and Infrastructure Committee, 20 November 2025, Record of Proceedings, paragraph 13](#)

⁸ [Climate Change, Environment, and Infrastructure Committee, 20 November 2025, Record of Proceedings, paragraph 22](#)

⁹ [Climate Change, Environment, and Infrastructure Committee, 20 November 2025, Record of Proceedings, paragraph 28](#)

[to] lever more private investment". He went on to say "we're planning more work to explore that, which is going to build on the existing work".¹⁰ We would welcome an update on this work.

Recommendation 1. The Welsh Government should set out its existing and future plans for increasing levels of funding to scale up the delivery of climate adaptation, particularly through private investment, and how those plans align with the sustainable investment principles.

15. We also call on the Welsh Government to scale up nature-based solutions in adapting to climate change. As highlighted in our report on the response to recent storms,¹¹ such interventions can be effective and cost-efficient, while delivering wider environmental benefits. We therefore reiterate our recommendation from that report that, given their potential impact, the Welsh Government should prioritise scaling up nature based solutions, and make sure there are appropriate levels of funding available for that purpose.

Recommendation 2. The Welsh Government should set out how it is prioritising scaling up nature based solutions in adapting to climate change, and ensure sufficient levels of funding for that purpose.

Net zero

16. The Welsh Government is due to publish its next emissions reduction plan, currently the Net Zero Wales Carbon Budget (2021 to 2025),¹² by the end of 2026, covering the period of its third carbon budget (2026-2030). The climate change action BEL includes funding to develop decarbonisation pathways, policy development and implementation.

17. On work to develop the next Net Zero Plan, the Deputy First Minister noted that "it will be for the next Government to make key decisions on that" and "it's going to be more challenging".¹³

18. The resource allocation for the Welsh Government Energy Service¹⁴ has increased by 1.9 per cent from £4.17 million to £4.25 million. The capital allocation

¹⁰ Climate Change, Environment, and Infrastructure Committee, 20 November 2025, Record of Proceedings, paragraph 31

¹¹ Climate Change, Environment, and Infrastructure Committee, The response to recent storms, September 2025

¹² Welsh Government, Net Zero Wales Carbon Budget 2 (2021 to 2025), 21 October 2021

¹³ Climate Change, Environment, and Infrastructure Committee, 20 November 2025, Record of Proceedings, paragraph 50

¹⁴ Welsh Government, Energy Service (for public sector and community groups)

of £22.2 million includes £10.2 million Financial Transactions Capital. Despite responsibility for energy sitting with the Cabinet Secretary for Economy, Energy and Planning, the Energy Service sits in the Deputy First Minister's portfolio. The Energy Service works with the public sector and community enterprises to reduce energy use, generate locally owned renewable energy and reduce carbon emissions.

19. The Welsh Government's ambition is for the public sector to be net zero by 2030. The Deputy First Minister confirmed that public sector decarbonisation is a "top priority", and that the Government remains committed to its 2030 ambition. However he accepted that "it is challenging".¹⁵

20. We note the Deputy First Minister's view that "having that level of ambition for net zero 2030 has really stimulated a lot of action across public bodies".¹⁶ However we remain concerned whether the ambition is achievable and whether the slight uplift in the allocation for the Energy Service is sufficient. The March 2025 report on Welsh Public Sector Carbon Emissions 2024 found that "at the whole public sector level, emissions increased overall by 13% across all emissions categories",¹⁷ although we note the Deputy First Minister's comments that more organisations are now reporting data.

21. On the uplift in funding for the Energy Service, the Deputy First Minister felt it was "appropriate" but emphasised that this budget is a starting point.¹⁸ He referenced that scope 1 and 2 emissions are reducing. However we note that the Future Generations Commissioner for Wales in his 2025 report has highlighted that scope 3 emissions remain a challenge.¹⁹

Coal tips and reservoir safety

22. The resource allocation for the Coal Tip & Reservoir Safety Delivery BEL has increased from £3.88 million to £9.88 million, while the capital allocation has increased from the revised baseline of £15.22 million to £40.22 million.

¹⁵ [Climate Change, Environment, and Infrastructure Committee, 20 November 2025, Record of Proceedings, paragraph 54](#)

¹⁶ [Climate Change, Environment, and Infrastructure Committee, 20 November 2025, Record of Proceedings, paragraph 54](#)

¹⁷ Welsh Government Energy Service, [Net Zero Reporting: Welsh Public Sector 2024 Carbon Emissions](#), March 2025

¹⁸ [Climate Change, Environment, and Infrastructure Committee, 20 November 2025, Record of Proceedings, paragraph 62](#)

¹⁹ Future Generations Commissioner for Wales, [Future Generations Report 2025](#)

Coal tip safety

23. We welcome the uplift in funding for coal tip safety, which is provided through the Coal Tip Safety Grant Scheme. The grant scheme provides funding to local authorities and Natural Resources Wales (NRW) to undertake maintenance activities on both publicly and privately owned coal tips to control and minimise the threat of slips.

24. We note the Deputy First Minister's explanation that the allocation for the scheme is based on working closely with local authorities and NRW to identify "what we need right here, right now, and what we will need next year, and what we will need the year after".²⁰ He went on to say:

*"The budget allocation we brought forward for 2026-27 reflects accurately what can be delivered feasibly by local authorities and NRW within a single financial year, but we do have to keep assessing this as the years go by, as the new schemes come forward, as the capacity grows, so we have a real, achievable, successful grant scheme programme of work going forward."*²¹

25. We would welcome a breakdown of which tips have been identified for work funded through the scheme in 2026-27, including which categories of tips they fall into.

Recommendation 3. The Welsh Government should provide a breakdown of which tips received support from the Coal Tip Safety Grant Scheme in 2025-26, including the amount of funding received and category of the tip. It should also clarify the total allocation for the grant scheme for 2026-27, including the projected number of disused tips that will benefit from maintenance and remediation works, their location and the category of tips they fall into.

26. The capital allocation for the Coal Tip & Reservoir Safety Delivery BEL includes funding provided by the UK Government. The Welsh Government's evidence paper suggests this totals £25 million for 2026-27.²² In its recent spending review, the UK Government announced that it:

²⁰ Climate Change, Environment, and Infrastructure Committee, 20 November 2025. Record of Proceedings, paragraph 71

²¹ Climate Change, Environment, and Infrastructure Committee, 20 November 2025. Record of Proceedings, paragraph 72

²² Welsh Government, Evidence paper on 2026-27 Draft Budget for the Senedd Climate Change, Environment, and Infrastructure Committee, 20 November 2025

“...is further investing in local communities [in Wales] with £118 million new spend over three years, building on UK Government collaboration with the Welsh Government on coal tip safety.”²³

27. The Deputy First Minister referred to the committed funding for coal tip safety from the UK Government and said the “partnership” would need to continue beyond three years.²⁴ We expect the Welsh Government to continue to engage the UK Government at the highest level to ensure sufficient long-term funding for Wales’ coal-tip safety programme.

Reservoir safety

28. Within the Coal Tip & Reservoir Safety Delivery BEL, £4.9 million is allocated to reservoir safety, maintaining the same level of funding as in 2025-26. The Welsh Government’s evidence paper says reservoir safety is critically important given the impact of climate change and the risks if reservoirs are not maintained.²⁵

29. In November 2024, the Cabinet Secretary announced that the Welsh and UK Governments are working together to reform the reservoir safety regime across Wales and England via the Reservoir Safety Programme.²⁶

30. We heard that a joint consultation with England is expected in “early 2026” on proposed reservoir safety reforms.²⁷ The draft budget allocates just under £3 million in capital funding to NRW to implement improvements to reservoirs it is responsible for. A further £1.9 million in capital funding is allocated to the new Reservoir Safety Grant Scheme, to enable reservoir-owning public authorities to carry out essential work. This will also fund NRW works on ‘orphan reservoirs’.

31. We look forward to monitoring progress in this area and ask that the Welsh Government keeps us updated.

²³ HM Treasury, Spending Review 2025, June 2025

²⁴ Climate Change, Environment, and Infrastructure Committee, 20 November 2025, Record of Proceedings, paragraph 80

²⁵ Welsh Government, Evidence paper on 2026-27 Draft Budget for the Senedd Climate Change, Environment, and Infrastructure Committee, 20 November 2025

²⁶ Welsh Government, Written Statement: Reservoir Safety Reform, 4 November 2024

²⁷ Climate Change, Environment, and Infrastructure Committee, 20 November 2025, Record of Proceedings, paragraph 82

Natural Resources Wales

32. NRW's resource allocation (grant-in-aid) has increased by 2 per cent from £103.49 million to £105.34 million. Its capital allocation remains the same at £27.81 million.

33. In October 2024, the Welsh Government provided a £19 million loan to NRW to cover unpaid tax liabilities following an investigation by HM Revenue and Customs (HMRC). The tax bill related to historical compliance issues with off-payroll working rules and the use of contractors.

34. On 24 October 2025, the Deputy First Minister issued a statement confirming the HMRC investigation had concluded resulting in a final settlement of £14.6 million.²⁸ As part of the settlement, HMRC imposed a £2.9 million penalty, suspended for 12 months, subject to NRW meeting specified compliance conditions.

35. The Deputy First Minister told us that NRW has agreed budget reduction arrangements to recoup the residual cash on the budget cover provided by the Welsh Government. The Deputy First Minister assured us that “officials have worked with NRW to make sure that this budget reduction is affordable for NRW”.²⁹ He went on to say that “the reduction will not have impacts on their core functions or their statutory duties”.³⁰

36. A Welsh Government official set out NRW's repayment plan for the £14.6 million owed. An underspend of £4.4 million in the previous financial year was put towards it as an initial payment, to be followed by £1.6 million per year for five or six years. We heard that there could be scope for NRW to make top up payments with further underspends and that the loan may be paid off earlier than the agreed payment plan. The Welsh Government official explained:

“Should there be a position where NRW again has an underspend at the end of the year, obviously that is a dialogue they can have with the Minister as to whether that's the most appropriate use of that funding, to further reduce the liability, or if that money would be better directed to other priorities within

²⁸ Welsh Government, Written Statement: HM Revenue and Customs' investigation conclusion into Natural Resources Wales IR35 tax arrangements, 24 October 2025

²⁹ Climate Change, Environment, and Infrastructure Committee, 20 November 2025, Record of Proceedings, paragraph 87

³⁰ Climate Change, Environment, and Infrastructure Committee, 20 November 2025, Record of Proceedings, paragraph 87

*the Minister's portfolio, or the Government more broadly. We will no doubt have that discussion over the next couple of months with NRW for this financial year, and probably going forward. My expectation would be that it's likely to be paid off earlier than that payment plan, but that's obviously subject to decisions and depending on where they are at the end of each financial year."*³¹

37. We would be grateful if the Deputy First Minister could confirm the remaining debt and the agreed payment plan in writing. We would also welcome an update on how the Welsh Government will monitor whether the reduction will have an impact on NRW's core functions and statutory duties.

Recommendation 4. The Welsh Government should set out the latest position in terms of the loan to Natural Resources Wales and the agreed payment plan. It should also set out how it will monitor and evaluate any impact on NRW's delivery of their core functions and statutory duties.

Coastal Risk Management Programme

38. The Welsh Government's evidence paper notes that the Coastal Risk Management Programme (CRMP) is "drawing to a close".³² It was established to fund coastal local authorities to deliver actions in Shoreline Management Plans (SMPs). The paper says CRMP has invested £291 million into 15 coastal schemes over its five-year lifetime, benefitting almost 14,000 properties.

39. The Deputy First Minister explained that local authorities are expected to raise the capital and fund 15 per cent of the project cost for construction; the Welsh Government then provides an 85 per cent contribution.³³ He said that the Welsh Government was estimating a contribution at around £150 million of revenue funding, but noted that they have "fully costed proposals prior to us agreeing funding" and that the cost of the full programme has increased to £291 million.³⁴

³¹ Climate Change, Environment, and Infrastructure Committee, 20 November 2025. Record of Proceedings, paragraph 89

³² Welsh Government, Evidence paper on 2026-27 Draft Budget for the Senedd Climate Change, Environment, and Infrastructure Committee, 20 November 2025

³³ Climate Change, Environment, and Infrastructure Committee, 20 November 2025. Record of Proceedings, paragraph 100

³⁴ Climate Change, Environment, and Infrastructure Committee, 20 November 2025. Record of Proceedings, paragraph 101

40. The Deputy First Minister confirmed there would be a review of the scheme. We welcome this review and we ask the Welsh Government to write to the Committee with an update on the review.

Recommendation 5. The Welsh Government should provide an update on the review of the Coastal Risk Management Programme before the end of the Sixth Senedd.

Circular economy

41. The Resource Efficiency & Circular Economy BEL resource allocation has increased by 1.9 per cent from £35.85 million to £36.52 million. The capital allocation has reduced by 10 per cent, from £41.85 million to £37.65 million.

42. In his written evidence, the Deputy First Minister said that:

“Circular Economy has received additional resource funding to continue to build on Wales’ world leading performance on recycling and to realise the economic opportunities arising from keeping resources and materials in use for as long as possible.”³⁵

43. He said that the fall in capital funding “reflects the profile of Local Authorities projects in 2025/26”. He cited the same reason for an 11 per cent reduction in capital spending in last year’s budget.³⁶

44. According to the Deputy First Minister, resource funding will support external partners to deliver circular economy goals, including:

- developing a Deposit Return Scheme (DRS);
- implementing the Extended Producer Responsibility (EPR) scheme;
- delivering workplace recycling reforms;
- rolling-out repair cafes and food distribution; and
- funding the Sustainable Waste Management Grant for local authorities.

³⁵ Welsh Government, Evidence paper on 2026-27 Draft Budget for the Senedd Climate Change, Environment, and Infrastructure Committee, 20 November 2025

³⁶ Welsh Government, Climate Change, Environment, and Infrastructure Committee: Welsh Government Draft Budget Scrutiny 2025-26, 8 January 2025

Recommendation 6. We would be grateful for more information on the specific allocations within the BEL, and further information on economic opportunities, including how much is spent on initiatives and consultancy services to support the transition to a circular economy. The Welsh Government should set out how it is monitoring and evaluating its investment.

Sustainable Waste Management Grant

45. We note that the Deputy First Minister does not have any concerns about local authorities' ambition on waste, and attributed capital demand reduction to complexities in delivering existing projects on time, citing examples in Rhondda Cynon Taf, Neath Port Talbot, and Carmarthenshire.³⁷

46. We are concerned, given this is the second consecutive reduction in capital spend on waste, that the Welsh Government is likely to miss at least some of its 2025 waste targets, based on recycling and consumption trends from recent years. We would be grateful to know whether learnings are coming out of these delayed, complex projects, that could help to streamline the delivery of future projects. We note that the Deputy First Minister said:

*"We keep really close engagement with local authorities on this, through my officials, on all the projects that are being brought forward. Because what we want to do is support them in bringing these projects forward, even if they do sometimes have complications at a local level, because it is so integral to our ambitions as a nation within the circular economy space."*³⁸

Recommendation 7. The Welsh Government should undertake a lessons learned exercise in relation to delivering complex local authority recycling schemes and assess how the findings can be applied to improve the delivery of future projects.

Extended Producer Responsibility scheme

47. The EPR scheme will move the cost of dealing with packaging waste away from public finance and on to packaging producers, who will pay for the full cost of managing packaging waste from households. Payments will be passed on to local authorities to cover the costs of collecting, managing, recycling and disposing of household packaging waste. It is run by Pack UK on behalf of the UK

³⁷ Climate Change, Environment, and Infrastructure Committee, 20 November 2025, Record of Proceedings, paragraph 118.

³⁸ Climate Change, Environment, and Infrastructure Committee, 20 November 2025, Record of Proceedings, paragraph 126.

and devolved governments. The scheme commenced in 2025-26, and local authorities are due to receive payments from the final quarter of 2025.³⁹

48. The Deputy First Minister provided reassurance that EPR would bring “additionality” and not replace Welsh Government circular economy funding for local authorities.⁴⁰ He implied that the Welsh Government has an oversight role in deciding EPR funding allocations, saying:

“we're laser-focused as the Welsh Government on making sure that the funding that is drawn from EPR and the polluter-pays principle goes to rewarding and incentivising the right behaviour—so, those authorities that are investing in efficient waste management, et cetera. Those payments go to drive forward performance. They're not just handouts of cash, they're going to authorities who are set on doing more within improving their performance, or to those authorities who want to drive up where they're not succeeding already.

Within the Welsh Government, what comes through EPR, and in our discussions with local authorities and with the UK Government, is getting those payments designed rightly so that they go to the right space and the right local authorities, not just a more random doling out of additional funds.”⁴¹

49. However, it is unclear how this is exercised given the scheme is UK-wide and delivered by an independent administrator. EPR guidance suggests there is a standard methodology for how funding is distributed to local authorities based on demand, rurality, and deprivation. We would be grateful if the Deputy First Minister could clarify the Welsh Government’s involvement in deciding EPR funding allocations.

Recommendation 8. The Welsh Government should clarify its role in determining Extended Producer Responsibility funding allocations and how EPR payments will compliment existing funding such as the Sustainable Waste Management Grant.

³⁹ UK Government, [Guidance: Extended producer responsibility for packaging: local authority payments](#)

⁴⁰ [Climate Change, Environment, and Infrastructure Committee, 20 November 2025, Record of Proceedings, paragraph 128](#)

⁴¹ [Climate Change, Environment, and Infrastructure Committee, 20 November 2025, Record of Proceedings, paragraphs 129-130](#)

Deposit Return Scheme

50. The Welsh Government has been working with the UK Government and other devolved governments on a UK Deposit Scheme. The scheme was originally planned for October 2025 but has been delayed. We were pleased to hear that there will not be any further delays, with expected UK-wide delivery in October 2027. The scheme is being funded “from our existing programme budget”.⁴² The Deputy First Minister said that he is “looking forward to the opportunities that will arise from this – once again, Wales leading in this space”.⁴³ We look forward to monitoring progress in this area.

Biodiversity

51. The resource allocation for the biodiversity and evidence BEL has decreased by 3.9 per cent from £11.53 million to £11.07 million, while the capital allocation has decreased by 8 per cent from £12.5 million to £11.5 million. However the Deputy First Minister told us that “this isn’t a reduction overall” and that there have been “internal transfers within BEL allocations within the overall MEG”.⁴⁴

30 by 30 nature target

52. The environment sector’s recently published UK-wide progress report on the global ‘30 by 30’ nature targets suggests Wales is projected to miss its targets by some way.⁴⁵ The Deputy First Minister acknowledged that “Wales...like other UK nations, is still short of that target” and that “we need to accelerate the work that we’re doing on this”.⁴⁶

53. The 2026-27 budget will be crucial in progressing work in this area ahead of the 2030 target year. We therefore highlight Wales Environment Link’s calls for an uplift in investment in nature in its Pathways to 2030 report which sets out costs and actions to tackle the nature crisis in Wales. The Welsh Government must demonstrate a clear understanding of the scale of funding needed for nature recovery. Our ‘Halting and reversing the loss of nature by 2030’ report provides

⁴² Climate Change, Environment, and Infrastructure Committee, 20 November 2025, Record of Proceedings, paragraph 136

⁴³ Climate Change, Environment, and Infrastructure Committee, 20 November 2025, Record of Proceedings, paragraph 136

⁴⁴ Climate Change, Environment, and Infrastructure Committee, 20 November 2025, Record of Proceedings, paragraph 142

⁴⁵ Wildlife and Countryside Link, 30 by 30 2025 UK Progress Report

⁴⁶ Climate Change, Environment, and Infrastructure Committee, 20 November 2025, Record of Proceedings, paragraph 144

recommendations on investment in nature and we reiterate those calls in this report.⁴⁷

54. Domestic biodiversity targets would be introduced by regulations under the Environment (Principles, Governance, and Biodiversity Targets) Bill if it passes and is enacted. The Deputy First Minister's evidence paper says "the full financial impact of these targets is not expected until after the Bill has been passed by the Senedd, which would likely mean [financial year] 2026-27". However details are not provided. The paper notes an additional Regulatory Impact Assessment will be produced alongside the secondary legislation.⁴⁸ In oral evidence, the Deputy First Minister said that "as the legislation comes forward, we're also anticipating where the costs will lie".⁴⁹

Recommendation 9. The Welsh Government should clarify the budget allocations for biodiversity. It should set out how this allocation will advance progress towards the 2030 global biodiversity targets. Given the 30 by 30 target is predicted to be missed, the government should consider increasing allocations for biodiversity in light of the nature emergency.

Nature Networks Fund and private investment

55. We welcome the investments the Deputy First Minister highlighted through the Nature Networks Fund, Local Places for Nature, Natur Am Byth, the National Peatland Action Programme, and others. We emphasise the importance of ensuring that these funds continue to be available. We agree with the Deputy First Minister's assertion that "we need to do more"⁵⁰ to scale up investment in nature recovery.

56. The Nature Networks Fund is the Welsh Government's primary grant funding programme for protected sites. We note that the Nature Networks Fund is oversubscribed, and as a key mechanism to drive landscape scale nature recovery, we believe this fund should be protected, and consideration should be given to increasing its allocation. On the fund, the Deputy First Minister said that the fact that it is oversubscribed "could be seen as a negative". However he said:

⁴⁷ Climate Change, Environment, and Infrastructure Committee, Halting and reversing the loss of nature by 2030, January 2025

⁴⁸ Welsh Government, Evidence paper on 2026-27 Draft Budget for the Senedd Climate Change, Environment, and Infrastructure Committee, 20 November 2025

⁴⁹ Climate Change, Environment, and Infrastructure Committee, 20 November 2025. Record of Proceedings, paragraph 187

⁵⁰ Climate Change, Environment, and Infrastructure Committee, 20 November 2025. Record of Proceedings, paragraph 147

*"I see it as a positive. We've got a real demand out there. What we do need to do, though, within the budget constraints that we have, is maximise the number of projects that receive funding. So, I don't want to narrow that down and say, 'Let's put larger dollops out to fewer'. Let's make sure that we get a real big impact here, widely across Wales."*⁵¹

Recommendation 10. The Welsh Government should commit to increase funding for the Nature Networks Fund and the Local Places for Nature Fund.

57. We note the Deputy First Minister's assertion that EU LIFE will not be replaced,⁵² which we believe increases the importance of the Nature Networks Fund for large-scale restoration projects. We heard that the Nature Networks Fund will be aligned with the Sustainable Farming Scheme. The Deputy First Minister said that the Sustainable Farming scheme will be key in delivering 30 by 30.⁵³ We would like clarity around how that will work in practice and how farmers can better take advantage of the Fund.

Recommendation 11. The Welsh Government should clarify how the Nature Networks Fund will be aligned with the Sustainable Farming Scheme, including how it will work in practice and how farmers can utilise the fund.

58. We welcome plans to leverage more funds for nature through private investment. We have heard calls from stakeholders for some time for direction from the Welsh Government on this, and for action to address barriers to meaningful private investment. We would welcome an update on this work following the 2024 consultation on Sustainable Investment Principles,⁵⁴ to diversify the funding available for nature.

Recommendation 12. The Welsh Government should provide an update on how it is increasing funds for nature through private investment, following the Sustainable Investment Principles consultation.

⁵¹ Climate Change, Environment, and Infrastructure Committee, 20 November 2025, Record of Proceedings, paragraph 153

⁵² Climate Change, Environment, and Infrastructure Committee, 20 November 2025, Record of Proceedings, paragraph 161

⁵³ Climate Change, Environment, and Infrastructure Committee, 20 November 2025, Record of Proceedings, paragraph 145

⁵⁴ Welsh Government, Sustainable Investment Principles, 10 September 2024

Ecological skills gap

59. We note the Chartered Institute of Ecology and Environmental Management (CIEEM) has highlighted capacity gaps in the ecology sector.⁵⁵ The Deputy First Minister said that “there’s a wide piece of investment that we do in what could be termed ecological skills. And we already do it”. He went on to list a range of avenues for the development of ecological skills through various schemes and programmes.⁵⁶

60. However we are concerned that this is a piecemeal approach and recommend the Welsh Government develops a more strategic approach to the development of ecological skills to allow oversight to identify gaps and opportunities.

Recommendation 13. The Welsh Government should develop a strategy for identifying and filling the skills and capacity gaps in the ecology sector.

Seagrass and saltmarsh

61. The resource allocation for the Marine Policy, Evidence and Funding BEL has increased by 2 per cent from £2.36 million to £2.41 million. There is no capital allocation for this BEL.

62. The Welsh Government made a Programme for Government commitment to “Establish a targeted scheme to support restoration of seagrass and saltmarsh habitats along our coastline”. In his written evidence, the Deputy First Minister asserted this commitment “has now been completed” through funding awards to Seagrass Network Cymru (SNC) and the North Wales Wildlife Trusts (NWWT).⁵⁷ The National Seagrass Action Plan (NSAP) was published last year and is being implemented by SNC. NWWT will develop a Saltmarsh Network Action Plan, but this has not yet been published.

63. We welcome the extra £100,000 provided over the 2024-26 period for Seagrass Network Cymru to develop a Seagrass Action Plan. We note the Deputy First Minister’s comment that there is not yet any guaranteed funding for 2026/27, and that he is exploring options for long-term funding, including private

⁵⁵ The Chartered Institute of Ecology and Environmental Management, [Opening Up Vocational Pathways Into Nature-based Green Jobs](#)

⁵⁶ [Climate Change, Environment, and Infrastructure Committee, 20 November 2025, Record of Proceedings, paragraph 165](#)

⁵⁷ Welsh Government, [Evidence paper on 2026-27 Draft Budget for the Senedd Climate Change, Environment, and Infrastructure Committee](#), 20 November 2025

financing.⁵⁸ We urge the Welsh Government to get this funding in place so that the Action Plan can be delivered.

Recommendation 14. The Welsh Government should set out how it will ensure long term funding for Seagrass Network Cymru to develop a Seagrass Action Plan.

64. We welcome the initial £30,000 to begin the development of a saltmarsh action plan. The Deputy First Minister told us there would be a progress update on the action plan during the spring. Given the Welsh Government's Programme for Government commitment to "Establish a targeted scheme to support restoration of seagrass and saltmarsh habitats along our coastline", we expect the action plan to be published by the end of this Senedd, and appropriately resourced to enable implementation by the next Welsh Government.

Recommendation 15. The Welsh Government should publish a Saltmarsh Action Plan by the end of this Senedd and ensure that it is appropriately resourced to enable implementation by the next Welsh Government.

65. We are concerned by the Deputy First Minister's assertion that the development of these two action plans means "the Programme for Government Commitment has now been completed", given that the Saltmarsh Action Plan is not yet published, and there is funding uncertainty for Seagrass. We would encourage the Welsh Government to maintain momentum in this area into the next Senedd.

⁵⁸ Climate Change, Environment, and Infrastructure Committee, 20 November 2025, Record of Proceedings, paragraph 183

Part 2: Transport

66. The Transport MEG saw overall increases in revenue budgets of £29 million to £924.07 million (including non-cash) and £23 million in capital to £551.37 million. Both increases are compared to the revised baseline.

67. The Cabinet Secretary's paper set out his priorities for the draft budget:

"In the context of the Government's priority for Better Transport, the Bus Services (Wales) Bill, and modernising our transport grants to deliver Regional Transport Plans, transport budgets have been developed based on the following prioritisation:

- 1. Maintain public transport services wherever possible*
- 2. Improve the bus fleet in Wales and prepare for franchising*
- 3. Increase funding for regional transport schemes*
- 4. Continue to improve the safety and resilience of the road network.*
- 5. Complete the transformation of Welsh rail services, in particular on the CVL and introduce the new tram-trains."*⁵⁹

68. Our approach to scrutiny of the draft transport budget broadly followed these priorities.

Presentation of the transport draft budget

69. The current year, 2025-26, is the first time the Welsh Government draft budget included a specific MEG for transport. We have explored the implications of these changes during scrutiny of both the 2025-26 and 2026-27 draft budgets. We are grateful for the explanatory material set out in the Cabinet Secretary's paper.⁶⁰ However, significant changes were made in the structure of the BELs in 2025-26 and we believe a clear statement of the programmes and services funded from each would be helpful.

⁵⁹ Welsh Government, [Evidence Paper on Draft Budget 2026-27 – Transport Main Expenditure Group \(MEG\)](#), 26 November 2025

⁶⁰ Welsh Government, [Evidence Paper on Draft Budget 2026-27 – Transport Main Expenditure Group \(MEG\)](#), 26 November 2025

70. We note that the draft transport budget now includes two Annually Managed Expenditure (AME) BELs, with a new Roads Impairment AME BEL added in the current draft budget increasing the total AME allocation by £44.94 million to £46.94 million. This is alongside two non-cash revenue BELs which we understand account for depreciation of the trunk road and devolved rail infrastructure networks.

71. The Cabinet Secretary's official explained that the two AME BELs are also "non-cash amounts" but "might not always be non-cash". He said "the vast majority reflect changes to road valuations, which is simply an accounting concept". He offered to provide an explanatory technical note.⁶¹

Recommendation 16. The Welsh Government should provide summary details of the programmes and services funded by each of the BELs in the restructured Transport MEG, along with a technical note explaining the purpose of the two AME BELs, and how these relate to the non-cash revenue BELs.

Climate adaptation

72. We discussed the implications of climate change and the increase in extreme weather events for the transport network. The Cabinet Secretary discussed what this means for the road network, which is devolved, and rail infrastructure which, with the exception of the Core Valley Lines, is reserved. He told us "more money is going to have to be spent on maintaining our infrastructure as a consequence of severe climatic events".⁶²

Recommendation 17. The Welsh Government should set out how much of the 2026-27 draft transport budget is allocated for climate adaptation and mitigation, and provide its assessment of the investment levels needed over the next ten years in both devolved and non-devolved transport infrastructure.

Delivery of Regional Transport and Active Travel

73. 2026-27 will see a significant shift in the approach to supporting local and regional transport priorities. Following the establishment of Corporate Joint Committees (CJCs), Regional Transport Plans (RTPs) have been approved by the Welsh Government and the coming year will be the first in which Welsh

⁶¹ Climate Change, Environment and Infrastructure Committee, 26 November 2025, Record of Proceedings, paragraph 17

⁶² Climate Change, Environment and Infrastructure Committee, 26 November 2025, Record of Proceedings, paragraph 279

Government funding for local priorities will be devolved to local authorities working regionally through CJsCs.

74. The Cabinet Secretary's paper says £126 million of the total £138.8 million revenue and capital allocation to the Regional Transport & Active Travel BEL will "support our regional transport priorities, including the Regional Transport Fund".⁶³ The Cabinet Secretary told us that of the £126 million, "£110 million is going to be distributed to the four regions on an existing funding formula that's been adopted for the regional transport fund". The "balance of the £126 million" will be spent on "non-rail related activities" recommended by the South East Wales Transport Commission report on alternatives to the M4 relief road.⁶⁴ The remainder of the total £138.8 million allocation to this BEL will support local highway maintenance and other local government support. The Cabinet Secretary told us that monitoring and evaluation arrangements are now in place for RTPs, and offered to provide a note on the allocation formula.

Recommendation 18. The Welsh Government should provide details of the allocation formula applied to the Regional Transport Fund, including the specific allocations for each of the four regions, as well as further detail on how the remainder of the Regional Transport & Active Travel BEL will be spent.

Recommendation 19. The Welsh Government should set out details of how the Regional Transport Fund, and Regional Transport Plans more generally, will be monitored and evaluated.

Wider funding for regional transport priorities

75. We discussed the sufficiency of the Regional Transport Fund, using the example of the Llanbedr Transport Improvements scheme. The First Minister has previously said that the Welsh Government contribution to this would be via the Regional Transport Fund.

76. The Cabinet Secretary told us the delivery costs at Llanbedr are estimated at £39 million, which he felt it would be "entirely reasonable" to fund from a total north Wales Regional Transport Fund allocation of £29 million per year, or around £150 million over five years (subject to future government priorities).⁶⁵

⁶³ Welsh Government, Evidence Paper on Draft Budget 2026-27 – Transport Main Expenditure Group (MEG), 26 November 2025

⁶⁴ Climate Change, Environment and Infrastructure Committee, 26 November 2025, Record of Proceedings, paragraph 20

⁶⁵ Climate Change, Environment and Infrastructure Committee, 26 November 2025, Record of Proceedings, paragraph 62

77. However, he acknowledged that “in its own right, the regional transport fund does not meet the big ambitions that are contained within the four regional transport plans”. He stressed the importance of examining all funding possibilities, referring to “the local growth fund, city and growth deals, investment zone funding, where that's available, and local government contributions as well”.⁶⁶ He identified a role for the private sector, and developer contributions to related transport infrastructure.

78. We are aware that the Welsh Government is currently consulting on proposals for an approach to the UK Local Growth Fund in Wales. We are also aware that in practice developer contributions through section 106 agreements and the Community Infrastructure Levy can be challenging to secure. We note evidence to us on the draft budget from the Cabinet Secretary for Economy, Energy and Planning that “the Wales Planning Performance Framework has been reintroduced for the 2025-26 financial year”.⁶⁷

79. The Cabinet Secretary confirmed that the Welsh Government will report annually on spending by mode of transport.

Recommendation 20. The Welsh Government should provide further details on the wider funding it believes can be used to support Regional Transport Plan delivery, including the likely level of funding, the types of scheme which can be funded by each and details of any geographical limits on the use of these sources.

Recommendation 21. The Welsh Government should provide details of how far developer contributions are currently used to fund related transport infrastructure, and how it is seeking to address the barriers to their use including whether this could be included the Wales Planning Performance Framework.

Recommendation 22. The Welsh Government should provide details of the how large multiannual projects such as the Llanbedr Transport Improvements will be managed through the Regional Transport Planning process in general, and specifically the Regional Transport Fund. A copy of the guidance issued to local authorities and CJs on accessing the fund should be provided or published in the interests of transparency.

⁶⁶ Climate Change, Environment and Infrastructure Committee, 26 November 2025. Record of Proceedings, paragraph 68

⁶⁷ Response from the Cabinet Secretary for Economy, Energy and Planning to the Chair in relation to the Welsh Government draft budget 2026-27, 2 December 2025

Recommendation 23. The Welsh Government should ensure that annual reporting on spending by mode in delivery of Regional Transport Plans includes and itemises all sources of funding, not just the Regional Transport Fund.

Active travel

80. The Cabinet Secretary's response to our 2025-26 draft budget report indicated that between 2020-21 and 2024-25 the Welsh Government allocated an average of around £55 million to active travel per annum.⁶⁸ This funding now forms part of the Regional Transport Fund, and is no longer ring fenced for active travel. This is a source of concern to those working in the sector. We are aware that some local authorities have put significant effort into the development of their networks and believe this momentum must be maintained.

81. When we discussed this with the Cabinet Secretary, he explained that in initial draft programmes put forward for regional transport funding the indication "so far" is that this level of active travel expenditure and investment will be maintained.⁶⁹

82. We note that the programmes referred to are in draft, and have not been approved. We also note that spending on active travel of £55 million in 2026-27 would constitute exactly half of the £110 million Regional Transport Fund. The level of future spending is an area we believe a future Senedd Committee may wish to consider in its scrutiny.

83. The Welsh Government has been reviewing the Active Travel (Wales) Act 2013 and the Cabinet Secretary's response to our report on the 2025-26 draft budget said "we aim to complete the review in July 2025 and publish shortly afterwards".⁷⁰ The review has not been published.

84. The Cabinet Secretary told us he understands this will be published early in the new year. His official explained that this would allow the review to reflect on the recommendations of the Public Accounts and Public Administration Committee inquiry on Active Travel in Wales.⁷¹ This has been commissioned in

⁶⁸ Welsh Government, [Welsh Government response to the Climate Change, Environment & Infrastructure Committee Report: Scrutiny of the Welsh Government Draft Budget 2025-26](#), February 2025

⁶⁹ [Climate Change, Environment and Infrastructure Committee, 26 November 2025, Record of Proceedings, paragraph 83](#)

⁷⁰ Welsh Government, [Welsh Government response to the Climate Change, Environment & Infrastructure Committee Report: Scrutiny of the Welsh Government Draft Budget 2025-26](#), February 2025

⁷¹ [Climate Change, Environment and Infrastructure Committee, 26 November 2025, Record of Proceedings, paragraphs 101-102](#)

part to consider issues raised by the Auditor General for Wales' report on Active Travel in Wales, which found that "the Welsh Government remains a long way from achieving the step change in active travel intended".⁷² We will want to discuss the outcome of the review with the Cabinet Secretary during scrutiny in February. We therefore ask that the review is published no later than the end of January.

Recommendation 24. The Welsh Government should publish the review of the Active Travel (Wales) Act 2013 no later than the end of January.

Recommendation 25. The Welsh Government should set out details of the initial draft active travel programmes they expect to be funded via the Regional Transport Fund, how it will monitor and evaluate these and how delivery of the Fund will maintain momentum, particularly in areas where significant investment has already been made.

Bus Services

85. The Bus Service Support BEL resource budget has increased by £2.67 million in to £143.17 million, and capital by £8.92 million to £39.92 million, compared to the baseline.

Preparing for bus reform

86. Delivery of bus reform will be a key priority in 2026-27, assuming the Bus Services (Wales) Bill becomes law. The Welsh Government's Roadmap to Bus Reform makes clear franchised bus services will be implemented in south west Wales in 2027, followed by north Wales, south east Wales and mid Wales between 2028 and 2030.

87. When asked during draft budget scrutiny whether any commitments are at risk during 2026-27 the Cabinet Secretary said "perhaps the greatest threat is to bus services", such as TrawsCymru and Fflecsi services.⁷³ He also identified local government funding for bus services as a particular concern. In discussing priorities for a future government he told us, "we're going to have to see a

⁷² Audit Wales, [Active travel](#), 19 September 2024

⁷³ [Climate Change, Environment and Infrastructure Committee, 26 November 2025, Record of Proceedings, paragraph 4](#)

significant increase in money made available” to modernise the Welsh bus fleet, which he described as “the oldest bus fleet in the UK”.⁷⁴

88. The affordability of franchised services, which like TrawsCymru services will be delivered under contract, was one of the most significant concerns raised by stakeholders during our Stage 1 scrutiny of the Bus Services (Wales) Bill. We also heard concerns about the willingness of local authorities to invest in bus services once their current duties are replaced by those in the Bill. In his evidence during Stage 1, the Cabinet Secretary stressed that savings could be achieved through franchising, and that around £600 million would be spent on bus services over the course of this Senedd.

89. The Cabinet Secretary’s comments on bus funding are a cause for concern. They address specific issues raised during Stage 1 of the Bus Services (Wales) Bill, and appear to confirm the views of stakeholders that funding levels are a risk to the delivery of franchising. Noting his comments about the need for investment, including in fleet, we draw parallels to the significant growth in revenue spending on rail which has been required since TfWRail began operating services and question whether similar investment in bus franchising will be forthcoming.

90. In advance of draft budget scrutiny we asked the Cabinet Secretary to provide a breakdown of total and per-capita spending on bus services for 2026-27, compared with previous years. This was not provided as the Cabinet Secretary’s paper explained that final decisions on allocations to individual funding streams had not yet been made.⁷⁵

Recommendation 26. As soon as the allocations are confirmed, the Welsh Government should provide a table setting out total and per capita allocations to support bus and community transport for 2026-27, compared with each of the preceding three years with revenue and capital allocations separated, and the table broken down by individual funding stream.

Recommendation 27. The Welsh Government should provide details of the latest multi-annual estimate of the revenue and capital requirement for delivery of bus reform and associated infrastructure which is being used in planning the roll out of franchising. This should be broken down by revenue and capital and

⁷⁴ Climate Change, Environment and Infrastructure Committee, 26 November 2025. Record of Proceedings, paragraph 249

⁷⁵ Welsh Government, Evidence Paper on Draft Budget 2026-27 – Transport Main Expenditure Group (MEG), 26 November 2025

provide assurance that this will both protect existing services and support their enhancement under the reformed system.

Transport for Wales' budget

91. We have sought over several years to scrutinise TfW's full budget as part of draft budget scrutiny. We recognise the challenges in doing so, and we welcome the work done by the Welsh Government and TfW to make the latest figures available to us. We are grateful that the Cabinet Secretary has again provided the latest estimate for 2026-27 in his paper.

92. The "first iteration" of TfW's 2026-27 budget is therefore provided in his paper. This includes an increase in TfW's allocation from the Bus Service Support BEL of £1.2 million revenue and £8.9 million capital, compared to the revised baseline, bringing its total allocations for each to £10.5 million and £39.9 million respectively.

93. The Cabinet Secretary's official told us TfW is "in the process of developing fleet and depot strategies" on a multi-annual basis. He explained, "there's lots of work going into that at a strategic level, to work out where the best sites might be".⁷⁶

94. In terms of finalising TfW's draft budget, the Cabinet Secretary's paper said "further work will be undertaken to further interrogate and challenge cost and income assumptions which will inform the Welsh Government's annual funding letter" for TfW.⁷⁷

Recommendation 28. The Welsh Government should provide further details on how it is challenging Transport for Wales on its bus reform budget proposals to ensure this is both sufficient and value for money. This should include details of the specific issues being challenged, and the basis on which the 2026-27 budget for fleet and depot acquisition is being set.

Children and young person's £1 bus fare pilot

95. The children and young person's £1 bus fare is a twelve month pilot scheme delivered across the 2025-26 and 2026-27 financial years. The £1 fee contrasts with free travel for older people from the age of 60, several years before the state

⁷⁶ Climate Change, Environment and Infrastructure Committee, 26 November 2025, Record of Proceedings, paragraph 143

⁷⁷ Welsh Government, Evidence Paper on Draft Budget 2026-27 – Transport Main Expenditure Group (MEG), 26 November 2025

retirement age. In October, the Cabinet Secretary said in Plenary that “offering free bus travel for all young people... would be unaffordable in the current financial climate”.⁷⁸

96. We welcomed the Cabinet Secretary’s comments that early indications are positive, suggesting the pilot has led to a “notable increase” in patronage. He explained his view that “having a £1 fare ensures that young people value the service”, and he drew contrast to Scotland where he understood free travel led to “big issues with anti-social behaviour”.⁷⁹

97. We discussed the fact that the scheme will end mid-year in 2026-27. The Cabinet Secretary explained that the decision on its future would be for the next government. He said it’s “not an expensive scheme” which costs “£22 million for the entire cohort of people that are benefiting from it”.⁸⁰ Any future funding would need to be found with the Transport MEG or allocated “from the centre”.⁸¹

98. The Cabinet Secretary confirmed a specific Child Rights Impact Assessment had been undertaken on the pilot.⁸²

99. In 2023, the Welsh Government’s ‘Young Person’s Guarantee National Conversation: update for participants’ found 41 per cent of 16 to 24 years olds described transport as the number one barrier to accessing education, training or employment.⁸³

100. We note that the Children, Young People and Education Committee report on routes into post-16 education and training recommended that the Welsh Government “explicitly include the impact on young people’s access to post-16 education and training” in the terms of reference for review of the pilot.⁸⁴

Recommendation 29. The Welsh Government evaluation of the children and young person’s £1 pilot fare should include consideration of whether more young

⁷⁸ Welsh Parliament, [Plenary, 7 October 2025](#), paragraph 425

⁷⁹ [Climate Change, Environment and Infrastructure Committee, 26 November 2025, Record of Proceedings, paragraphs 153-154](#)

⁸⁰ [Climate Change, Environment and Infrastructure Committee, 26 November 2025, Record of Proceedings, paragraph 166](#)

⁸¹ [Climate Change, Environment and Infrastructure Committee, 26 November 2025, Record of Proceedings, paragraph 172](#)

⁸² [Climate Change, Environment and Infrastructure Committee, 26 November 2025, Record of Proceedings, paragraph 183](#)

⁸³ Welsh Government, [Young Person’s Guarantee National Conversation: update for participants](#), 9 March 2023

⁸⁴ Children, Young People and Education Committee, [Routes into post-16 education and training](#), November 2025

people feel able to access education, training and / or employment in the context of the findings of the Young People's Guarantee National Conversation.

Recommendation 30. The Welsh Government should publish the Child Rights Impact Assessment for the £1 bus fare policy.

Rail

101. £400.10 million of revenue funding is allocated for the Rail Service Support BEL, an increase of £12.57 million from the revised baseline. The capital allocation is £180.33 million – a decrease of £1.26 million against the revised baseline. We note this capital BEL received a substantial uplift in the 2025-26 budget compared to the previous year.

102. We discussed the high level of subsidy for rail, and particularly the gap between fare revenue and operating costs. The Welsh Government has previously said that “between circa 2023 and 2025-26” is the “difficult gap”.⁸⁵

103. The Cabinet Secretary said that, in contrast with the previous Arriva Trains Wales franchise, the Welsh Government is putting on more services, acquiring new trains and there is “better treatment of workers” which “all costs money”.⁸⁶

104. His official explained that subsidy levels have stabilised. However, as virtually all Welsh rail services are subsidised, subsidy levels have increased partly because “the Welsh Government has chosen to instruct Transport for Wales to increase its services”⁸⁷. Later, his official also highlighted that the £800 million investment in rolling stock is also a factor, and is funded over several years through lease payments.

105. The UK Government has announced that regulated rail fares in England will be frozen in the coming year. When asked whether the Welsh Government would follow suit, given the revenue implications of such a decision, the Cabinet Secretary explained this would be a decision for Cabinet. However, he said he is “in favour of doing anything in our power to help people with the cost of living”. He said he is waiting for the outcome of the Chancellor's budget and clarity on

⁸⁵ Climate Change, Environment and Infrastructure Committee, 25 January 2024, Record of Proceedings, paragraph 37.

⁸⁶ Climate Change, Environment and Infrastructure Committee, 26 November 2025, Record of Proceedings, paragraph 200.

⁸⁷ Climate Change, Environment and Infrastructure Committee, 26 November 2025, Record of Proceedings, paragraph 203.

whether Wales will receive a Barnett consequential as a result of the freeze in England. A decision would then be made on Welsh fares.⁸⁸

106. When we discussed arrangements to compensate passengers for any delay longer than 15 minutes, the Cabinet Secretary's official explained that compensation awarded has decreased as performance has improved. The Cabinet Secretary also offered to ask TfW to provide a paper on the social and economic impact of a fully integrated transport system.

Recommendation 31. The Welsh Government should write to the committee outlining the revenue implications of the Cabinet's decision on regulated rail fares when it is made regardless of whether fares are frozen or increased.

Recommendation 32. The Welsh Government should outline how the long-term revenue implications and affordability of future service levels are assessed when planning future rail service level increases.

Recommendation 33. The Welsh Government should provide details of compensation paid by TfW over the past three years, broken down by length of delay (15 to 30 minutes, 30 to 60 minutes and 60 minutes or longer).

Future priorities for rail investment

107. We discussed the UK Government's Spending Review commitments on rail infrastructure with the Cabinet Secretary, and how these integrate with Welsh Government investment to ensure value for money.

108. The Cabinet Secretary said he did not view the £302 million committed for rail in the Spending Review period, part of a wider £445 million package, as "the end of the matter when it comes to the amount that could be put into heavy rail within this spending period". He explained this is part of the remit of the Wales Rail Board.⁸⁹

109. The Wales Rail Board has been preparing a pipeline of projects but this has not yet been published. We asked when the pipeline would be published, and whether there would be a related delivery plan. The Cabinet Secretary's official

⁸⁸ Climate Change, Environment and Infrastructure Committee, 26 November 2025. Record of Proceedings, paragraph 262

⁸⁹ Climate Change, Environment and Infrastructure Committee, 26 November 2025. Record of Proceedings, paragraph 286

said the Welsh Government is “hoping” to publish the pipeline this calendar year, however, the delivery plan is a matter for the UK Government.⁹⁰

110. The Wales Rail Board was established in 2021 to bring together the Welsh and UK Governments as well as key rail industry stakeholders. However, despite its importance in identifying future rail investment priorities, we are unaware of any published terms of reference or details of its work programme. We do not believe such important work should be conducted in private, and greater transparency is essential.

Recommendation 34. The Welsh Government should ensure the Wales Rail Board project pipeline is published by the end of this calendar year as promised. This should be accompanied by estimated costings.

Recommendation 35. Given the increasing importance of the Wales Rail Board, the Welsh Government should ensure that terms of reference, membership and details of its work programme and decisions are published in the interests of transparency and accountability.

Highways

111. The Motorway & Trunk Road operations revenue Action allocation increases by £9.81 million compared to the revised baseline to £127.74 million. This increase is entirely within the Strategic Road Network Contractual Payments BEL which funds a number of contracts including management of the A55 and sections 5 and 6 of the A465. The Strategic Road Network Operations & Renewals capital allocations have increased by £8.92 million compared to the revised baseline to £195.32 million.

112. We also note a further allocation for the Local Government Borrowing Initiative, which supports local government borrowing for maintenance of local roads. The Cabinet Secretary made clear this is funded from the Regional Transport and Active Travel BEL.

113. There are significant maintenance backlogs on both the Strategic Road Network (SRN) and the local road network. However, we are not aware of any recently published estimates of the cost of this backlog.

114. We were interested to hear the Cabinet Secretary’s official explain that as modernisation the Core Valley Lines (CVL) nears completion, “that expenditure is

⁹⁰ [Climate Change, Environment and Infrastructure Committee, 26 November 2025, Record of Proceedings, paragraph 295](#)

now starting to taper” and this raises the question for a future government of how this capital funding should be spent. He referred to choices “on bus capital and supporting franchising, and there are [also] those...choices on roads”.⁹¹

115. The Cabinet Secretary drew attention to the 2023 Lugg Review of maintenance of the SRN in Wales which recommended the adoption of a comprehensive asset management approach. Discussing how capital currently allocated to the CVL could be spent in future, he said he “would urge any Minister in the future to take road maintenance very, very seriously indeed”.⁹² We note that terms of reference for the Lugg Review referred to “approximately £1bn of capital maintenance backlog on the SRN”.⁹³

116. The 2025-26 budget included £5 million of “recurrent” revenue funding for a new local government borrowing initiative “to enable local authorities to borrow up to £60m” for maintenance of local roads. In March, a Welsh Government press release announced that this was increased to £10 million, supporting £120m of borrowing over two years (2025-26 and 2026-27).⁹⁴

117. The Cabinet Secretary’s paper says the Welsh Government is investing an “additional £4m” in the initiative in this budget.⁹⁵ Though we noted that the total recurrent revenue support to local authorities remained at £10 million, and the total supported borrowing remained £120 million over two years – the same figure announced in March.

118. We asked the Welsh Government to clarify this. The Cabinet Secretary explained “that was announced in March, but it is new money for the next financial year”.⁹⁶

Recommendation 36. The Welsh Government should provide us with its current assessment of the value of the maintenance backlog on both the trunk and local road network.

⁹¹ Climate Change, Environment and Infrastructure Committee, 26 November 2025, Record of Proceedings, paragraph 305

⁹² Climate Change, Environment and Infrastructure Committee, 26 November 2025, Record of Proceedings, paragraph 306

⁹³ Maintaining strategic roads in Wales. The Lugg review, June 2023

⁹⁴ Welsh Government, Press release: £1.6bn extra unlocked for Welsh public services as budget passes, 4 March 2025

⁹⁵ Welsh Government, Evidence Paper on Draft Budget 2026-27 – Transport Main Expenditure Group (MEG), 26 November 2025

⁹⁶ Climate Change, Environment and Infrastructure Committee, 26 November 2025, Record of Proceedings, paragraph 323

Recommendation 37. The Welsh Government should provide details of the Strategic Road Network Asset Renewal Programme and the multi-annual plan to address the "approximately £1bn of capital maintenance backlog on the SRN" referred to in the Lugg review.

Recommendation 38. The additional £5 million allocated for the Local Government Borrowing Initiative in the draft budget had already been announced in March. While we understand that the 2026-27 allocation is made in this budget, the Welsh Government should take care in describing funding allocations to make clear where they have already been announced.