

Rebecca Evans AS/MS
Cabinet Secretary for Economy, Energy and Planning
Ysgrifennydd y Cabinet dros yr Economi, Ynni a Chynllunio



Llywodraeth Cymru
Welsh Government

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Llyr Gruffydd MS
Chair – Climate Change, Environment and Infrastructure Committee

2 December 2025

Dear Llyr,

Thank you for your letter regarding the scrutiny of the Welsh Government's 2026-27 Draft Budget. The Draft Budget was published in two stages. The Outline Draft Budget 2026-27 (Stage 1) was published on 14 October 2025, and the Detailed Draft Budget 2026-27 (Stage 2) on 3 November 2025.

The enclosed paper provides detail of the Economy, Energy and Planning MEG's plans as set out in the draft budget, and information on the specific areas requested by the Committee.

Yours sincerely

A handwritten signature in black ink that reads "Rebecca Evans".

Rebecca Evans AS/MS
Cabinet Secretary for Economy, Energy and Planning
Ysgrifennydd y Cabinet dros yr Economi, Ynni a Chynllunio

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Correspondence.Rebecca.Evans@gov.wales
Gohebiaeth.Rebecca.Evans@llyw.cymru

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.



Climate Change, Environment, and Infrastructure Committee

Evidence Paper on Draft Budget 2026-27 – Economy, Energy and Planning Main Expenditure Group (MEG)

26/11/2025

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1. Energy

Green Energy

Can you set out which specific projects and programmes are supported under the green energy BEL? What will the uplift in the resource budget fund?

The Green Energy BEL within the Economy, Energy and Planning MEG support policy development and programmes that are contributing to the Welsh Government's target, to generate enough clean electricity from renewable sources to meet the equivalent of Welsh electricity demand by 2035, and for at least 1.5 GW of renewable energy generation capacity to be locally owned by 2035.

The Green Energy BEL currently supports:

Local Energy Planning and Regional Energy Delivery Teams

Wales is the first part of the UK to achieve nationwide coverage of whole-system Local Area Energy Plans (LAEP). The Welsh Government has provided support to enable all 22 local authorities to produce a LAEP for their area, ensuring every part of Wales has a clear view of the ways in which they can deliver a clean, reliable energy system.

The Welsh Government worked with the four regions and all local authorities, using a methodology designed by Energy Systems Catapult (ESC), who acted as technical adviser across the programme. This ensured consistency, technical rigour, and a whole-systems approach. The plans cover energy efficiency, heat decarbonisation, renewable generation, and network requirements, and show the scale of the change needed. They also propose options for delivery. The regional and local teams will need further resource to develop investable projects.

The Green Energy BEL funds regional energy delivery teams who are tasked with overseeing and helping cross sector delivery of the plans.

Trydan Gwyrdd Cymru

Welsh Government established the first state owned renewable energy developer in the UK. Trydan Gwyrdd Cymru (Trydan), established in 2024, is working towards delivering an additional 1GW of renewable generated clean energy for Wales by 2040, ensuring that more of the benefits of energy generation are retained in Wales. The Energy Division is the partnership team for Trydan.

Trydan has assessed the opportunities on the Welsh Government Woodland Estate and has a pipeline of potential projects, with six in active development. The first three projects were launched on 10 July 2025 and the Trydan team are now developing detailed environmental assessments, engineering work and public engagement, leading up to submission of planning applications, probably in 2027:

- Glyn Cothi Wind Farm, Carmarthenshire, up to 162 MW

- Clocaenog Dau Wind Farm, Denbighshire, up to 132 MW
- Carreg Wen Wind Farm, Rhondda Cynon Taf, up to 108 MW

In total the sites could generate 400 MW of power, with the potential to generate up to 400 MW of clean electricity – enough to power 350,000 Welsh homes' annual average electricity needs. That is around a quarter of the homes in Wales.

A further solar site on Welsh Government land will be announced shortly. Trydan will be an exemplar renewable energy developer, retaining value in Wales, listening to local communities, and delivering improvements to the local environment.

Welsh Government Energy Service

The Welsh Government Energy Division, in partnership with the Climate Change Division, administers and delivers the Welsh Government Energy Service (WGES). The Energy Division manages the support to community energy development plans and strategic support to energy plan delivery.

WGES provides support to communities through development officer support and access to the Local Energy Loan Fund (LEF) and the Local Energy Grant Scheme (LEG). LEF was established in 2016 to provide development and construction loans to communities and is operated for us by the Development Bank of Wales. LEG was established in 2021 to complement the LEF, as many small-scale projects are not commercially viable. The grant enables the environmental and social benefits of these schemes to be delivered. The combined offer of grant and loan provides a flexible financial offer. Local Energy Grants, and the Local Energy Fund, are primarily focused on supporting community organisations, social enterprises and local ownership models.

Community Energy Wales (CEW)

Welsh Government provides core grant funding to CEW, a not-for-profit membership organisation that supports and represents community energy (CE) projects in Wales. Ynni Teg (YT), the developer arm of the partnership, was established to act as a developer for communities unable to develop projects themselves, particularly in more deprived areas. CEW works alongside the Welsh Government Energy Service (WGES) and Ynni Cymru, providing different and complementary support to communities. While WGES provides groups with technical support and access to funding and Ynni Cymru works with projects on innovative business models, CEW represents and develops the sector, providing support and challenge to raise the collective ambition.

Policy Support

The Green Energy BEL funds evidence production, such as the Energy Generation in Wales and Energy Demand in Wales reports, which provide information on demand and use of energy at a Wales level.

The Green Energy BEL has received an uplift of £33,000 in 2026-27 compared to the 2026-27 revised baseline to support pay and National insurance contribution costs.

What are the resource and capital budget allocations for Trydan Gwyrdd Cymru?

The overall revenue allocation for Trydan Gwyrdd Cymru in financial year 2025-26 is £6,447,268. We expect to allocate Trydan similar levels of funding for financial year 2026-27. There is no capital allocation for Trydan in financial year 2026-27 as funding for next year is expected to be revenue only. Welsh government will work with Trydan to ensure effective allocation of this revenue funding across the portfolio to maximise project progress within the budget, depending on development needs, access to supply chains and feedback from consultees.

What are the specific allocations for each of the three projects announced to date?

The three projects announced so far are part of a bigger portfolio of potential developments that Trydan are exploring. Reflecting this wider work and that project development costs are commercially sensitive, it is not appropriate currently to publish detailed project level costs.

You've previously stated you expect to see a rise in the number of renewable energy projects successfully bidding for Contracts for Difference. How do allocations under the Green Energy BEL support this?

The Green Energy BEL does not directly fund projects bidding for Contracts for Difference. Projects who choose to pursue Contracts for Difference do so independently of Welsh Government support or financial assistance. However, the Green Energy BEL funds the Renewable Energy Sector Deal, which Welsh Government is working on with renewable developers and other stakeholders, to develop a shared approach to more streamlined and beneficial delivery of renewables in Wales.

Ynni Cymru

How do the budget allocations reflect the Welsh Government's ambition for 1 GW of renewable energy generation capacity to be locally owned by 2030?

The targets set by Welsh Government for 1 GW of locally owned generation is close to being achieved, which is why Welsh Government has increased the ambition to 1.5 GW by 2035. The last Energy Generation in Wales report, using 2023 data, stated that 899 MW of electricity and heat generation was owned locally in Wales. The support of the Welsh Government Energy Service, Ynni Cymru and Community Energy Wales, alongside the hard work of the local project owners, all contribute to the achievement of this target.

How many community renewable energy projects do you intend to support through Ynni Cymru in 2026-27?

Welsh Government has offered support to 48 new smart local energy projects in 2025-26 through Ynni Cymru. The aim is that Welsh Government would be able to support a similar number of high-quality applications in 2026-27.

Welsh Government Energy Service (WGES)

What is your current assessment of progress towards a net zero public sector by 2030, do you still expect this ambition to be achievable?

Decarbonising the public sector remains a top priority for Welsh Government. The Net Zero 2030 ambition has stimulated significant action and leadership across public bodies, driving systematic change and quantifiable benefits across estate, fleet and land use. Progress to date demonstrates what is achievable to others across Wales, role modelling and influencing wider change as well as building market capability and capacity.

We remain committed to driving this ambition through initiatives such as the Welsh Government Energy Service and continue to work collaboratively with the public sector. We look forward to the findings of the Audit Wales follow-up report next year on Public Sector Readiness for Net Zero Carbon by 2030 to inform our future planning.

Given that the budget for the WGES sits with the Deputy First Minister and Cabinet Secretary for Rural Affairs, how are you working to ensure alignment with your priorities and to avoid duplication?

I work very closely with The Deputy First Minister and Cabinet Secretary for Climate Change to align our activities across our portfolios. Our respective departments work in partnership to agree the delivery priorities of the Welsh Government Energy Service to ensure our priorities are aligned and to avoid any risk of duplication.

National Infrastructure Commission for Wales (NICW)

As in previous years, the NICW has been allocated £400,000 from the Planning and Regulation BEL. Following your review of the Commission, you have stated that “the future role and structure of the commission” will be for a new Welsh Government to consider.

Can you confirm whether the NICW has been allocated funding for 2026-27, and if so, what the total allocation is and where this sits within your budget?

For financial year 2026-27 the NICW budget is continuing to be allocated £400,000, pending the outcome of decisions about the future of the Commission being taken by the next Welsh Government. This sits within the Economy, Energy & Planning MEG, as part of the Planning and Regulation Expenditure budget, BEL 2250.

Whether the extension to the existing Commissioner's terms to September 2026 is being funded from any new allocation for 2026-27 or from underspend in previous years.

The £400,000 budget allocated within the Planning and Regulation Expenditure BEL 2250 in financial year 2026-27 includes Commissioners fees as it has done since NICW was refreshed in financial year 2021-22.

2. Ports and Airports

Ports

Your December 2024 paper to us, responding to our questions on the 2025-26 draft budget, highlighted that your budget was supporting development of a Maritime and Ports Strategy, alongside a Freight Strategy - both for publication “before the end of this Senedd term”. With this in mind, can you: provide an update on the development of both strategies;

We recognise that the plan is overdue, but with the closure of the port of Holyhead just before Christmas last year and its clear impact on the industry, it was imperative that we reacted to that priority and waited for the conclusion of the Cabinet Secretary for Transport and North Wales’s Irish Sea Taskforce (set up as a response to that closure) before starting on this plan. The sixth and final taskforce meeting, to consider and agree the Taskforce’s recommendations concluded on 20th November. As a result of the Irish Sea taskforce and the Debate on the Economy, Trade and Rural Affairs Committee report: **Holyhead Port Storm Damage and Closure - Initial Findings in July**, it became apparent that stakeholders would prefer Government to publish a joint Freight and logistics plan, and ports and maritime strategy. As a result, one of the key recommendations of the Irish Sea Task force is for the Welsh Government to publish a set of priorities for a port and maritime, freight and logistics plan before the end of Government term in preparation for the next government. As part of that work, it will also establish a freight council and a truck stop mapping exercise for Wales which will be published in the new year.

Preparatory work for the plan has already commenced. The Cabinet Secretary for Transport and North Wales and I have agreed to a draft scope for the work, following internal consultation. The scope is currently being refined following external consultation and feedback from key stakeholders. This scoping document will then be developed into a set of priorities. Before the end of Government term, we will publish this set of priorities for the port and maritime, freight and logistics plan in preparation for the next Government.

The published document will enable the next Government to clearly see what the priorities of the sector are and be able to move them forward as the preparation work will be done.

We have also agreed to the recommendation to bring forward the creation of a new Welsh Logistics Council and commission consultants to undertake the mapping of current roadside facilities and frequently used Heavy Goods Vehicles (HGV) parking locations in Wales.

We are currently developing some preparatory work on the formation of a Welsh Logistics Council. We see the Welsh Logistics Council as a natural follow on from this taskforce. We do expect there to be the flexibility and ability to make changes to the membership even after the first meeting. The Council remit is likely to be wide ranging therefore flexibility is key. We hope to be able to update Committee on the membership soon.

Outline how your draft budget allocations will support delivery of these during 2026-27, including details of the relevant BEL(s) and how the allocations are being / will be prioritised to reflect the content of the strategies?

Funding allocation for the full development of the port and maritime, freight and logistics plan cannot currently be quantified, until we have finalised the scope of the work following external feedback. We have agreed to a set of priorities and associated costs to develop the plan. This will be handed over to the next Government to consider, taking forward the plan and allocating budget for its full development. The mapping of current roadside facilities expenditure of up to an estimated maximum of £100,000 excluding VAT, for financial year 2025-26 will come from the Cabinet Secretary for Transport and North Wales existing revenue budget for National & International Connectivity BEL 1883 within the Transport MEG.

The total revenue budget for the National & International Connectivity BEL 1883 is £4.1m in financial year 2025-26. Any additional unquantified consultancy work needed between now and publishing the set of priorities will be allocated from this BEL. This will continue to be monitored during the remainder of the 2025-26 financial year.

Cardiff Airport

How the draft budget allocations within your portfolio will support the development of Cardiff Airport, and specifically delivery of the long-term strategy?

The draft budget allocations for financial year 2026-27 will support the airport by attracting and growing aviation and aerospace businesses linked to the Airport and supporting a targeted programme of air service development, with a focus on passenger connectivity to a small number of global air hubs and economic centres of importance to Wales.

Confirmation of which BEL(s) within your MEG include allocations for the Airport subsidy package?

The Cardiff International Airport BEL 1240 within the Economy, Energy and Planning MEG will be used to provide allocations for the Airport subsidy package.

Details of how the first £20m tranche of the Airport subsidy package, allocated in 2025-26, is being spent, including how this is split between the two “packages”, how its impact is being evaluated and how the Airport is being performance managed based on the results of that evaluation?

An indicative forecast has been provided to us by the Airport for how the first £20m tranche of the airport subsidy package, allocated in financial year 2025-26, is going to be spent, including how this is split between the two packages.

- £17.2m has been allocated for capital investments under: Package 1: Non-passenger business development & enhancement,
- £2.8m has been allocated for revenue investment under; Package 2: Commercial passenger air route development.

- The terms of the grant agreement for the investment package require the Airport to provide a financial report, on a six-monthly basis, to include but not limited to the details of their actual expenditure of the funding for the previous 6 months for both Package 1: Non-passenger business development & enhancement, and Package 2: Commercial passenger air route development. This information will be used to evaluate the use of the funding and overall progress towards the targets set out in the grant agreement.
- We are yet to receive or evaluate the airport's first six-monthly report.

Details of how the evaluation of the 2025-26 subsidy allocation will inform the approach to the 2026-27 allocation?

The grant agreement contains an indicative payment profile for the investment package over the next 10 years. The annual budget allocation will be monitored closely as part of the airport's six-monthly monitoring reports. We have the right to review the terms and conditions of the airport's grant agreement from time to time and consider any necessary and/or reasonable amendments variations or additional requirements, and these may include adjustments to the annual budget allocations.

How the 2026-27 allocation will be split between the two packages?

This will be determined once we have evaluated the airport's first six-monthly report when they will include details of their estimated expenditure of the funding for the next 6 months split between the two packages.

In the light of the Director General's comments, how you are assessing and managing the legal risk to both the subsidy package and the development of the Airport, including your approach to contingency planning?

I recognise that Committee members will have many questions regarding the implications for the Airport's future arising from this legal challenge. However, as the Welsh Government is now in a litigation process, Ministers will be limited in what they can provide to the Senedd and its Committees in terms of updates and responses to questions. It is imperative that we let the independent legal process run its course in proper order. This accords with the substance of the Senedd's guidance on preparing written evidence.

I will respond to Committee's outstanding question and separately update the Senedd when we have clarity over the outcome of the challenge.

Planning

Resource funding for the Planning and Regulation Action has increased slightly from £8.91m to £9.02m. The Detailed Draft Budget Report 2026-2027 states that £5.1m is allocated to tackling capacity and delays in the planning system and that investment will continue in a planning service provided by Welsh Government, Natural Resources Wales (NRW) and local planning authorities (LPAs). It also states planning application fees have increased by an average of 50%.

Is the whole of the £5.1m included within the £9.02m allocated to Planning and Regulation? If not, could you provide a breakdown of where the funding comes from?

The additional funding provided in 2025-26 to tackling capacity and delays in the planning system has been incorporated into the 2026-27 baseline budget of £9.02m.

What assessment have you made of the impact of the £5.1m on tackling capacity and delays in the planning system and what are the expected outcomes?

The funding allocated as part of this Draft Budget has been targeted to areas of constrained capacity, whole system improvements and supporting collaborative regional working. In addition, the significant uplift in planning application fees from 1st December 2025 will provide a permanent increase in resources available to local planning authorities. Further details of the actions to be taken within the programme of work are provided below.

Several of the actions require the recruitment of additional staff to address known constraints. Recruitment has been undertaken this financial year. It will take time for the recruitment to feed through into service improvements. Similarly, some of the whole system improvements are at initial stages and will take time for benefits to be realised.

To ensure that system improvements can be measured in future the Wales Planning Performance Framework has been reintroduced for the 2025-26 financial year.

What actions will be taken within this programme of work?

The following actions on resources will be undertaken:

Royal Town Planning Institute Research (RTPI)

- Ensuring that Wales has enough planners with the right skills in the right areas is fundamental to the delivery of our policies. We have commissioned the Royal Town Planning Institute to undertake a piece of work on 'workforce planning'. It will provide a detailed picture of the capacity, resource, and skills situation across public sector planning services. This includes local planning authorities, *Planning and Environment Decisions Wales*, and Natural Resources Wales and our own Planning Directorate. The report will be published by the end of the year. This is an important piece of research that will enable us to develop a strategy to improve the capacity and resilience of our planning services and will ensure our resources are directed to where they will have the most impact.

Bursaries – Pathways to Planning

- Ensuring that Wales has enough planners with the right skills in the right areas is fundamental to the delivery of our policies. To increase the pipeline of planners, we approved £143,000 last financial year for Town Planning Bursaries via the Pathways to Planning Scheme which is being administered by the WLGA on our behalf.

- We are also committed to funding additional bursaries next financial year. We are currently in the process of ascertaining the demand within local planning authorities.
- With the fee increases to coming into force by the end of the year, we expect local planning authorities to re-invest additional fee income back into their services and to register for the Pathways Scheme to maximise the opportunities offered by Government funding. Staff costs can be met from the uplift in planning fees, and we will meet the costs for graduates to obtain a post graduate planning qualification.

Regional Planning Strategic Development Plans / Joint Planning Skills Hubs –

- We have provided funding (£110,000) for two Senior Planner roles to work on infrastructure applications across the North Wales Region. We encourage local planning authorities and Corporate Joint Committees (CJCs) to consider similar proposals to maximise the benefits of shared skills and services considering the current resourcing, recruitment and skills challenges.
- We have approved £400,000 to incentivise and ‘kick start’ Strategic Development Plan preparation this financial year.
- S.E. Wales have formally commenced preparation of the Strategic Development Plan. North Wales are following suit and have recently completed consultation on their draft Delivery Agreement with a final DA anticipated within this financial year. Collectively, the two regions have claimed the £400,000 to stimulate plan progression.
- We are considering funding to incentivise other Strategic Development Plans coming forward.

As referred to above funding has been targeted to areas of constrained capacity, whole system improvements and supporting collaborative regional working. Key actions include:

- Commissioned the Royal Town Planning Institute to undertake a piece of work on ‘workforce planning’. It will provide a detailed picture of the capacity, resource, and skills situation across public sector planning services. This includes local planning authorities, Planning and Environment Decisions Wales, and Natural Resources Wales and our own Planning Directorate. The report will be published by the end of the year. This is an important piece of research that will enable us to develop a strategy to improve the capacity and resilience of our planning services and will ensure our resources are directed to where they will have the most impact.

Prior to the completion of the workforce planning exercise, to immediately increase the pipeline of planners, we have provided £143,000 last financial year for Town Planning Bursaries via the Pathways to Planning Scheme which is being administered by the WLGA on our behalf. We are also committed to funding additional bursaries next financial year. With the fee increases to coming into force by the end of the year, we expect local planning authorities to re-invest additional fee income back into their services and to

register for the Pathways Scheme to maximise the opportunities offered by Government funding. Staff costs can be met from the uplift in planning fees, and we will meet the costs for graduates to obtain a post graduate planning qualification. The funding will be met from Planning & Regulation Expenditure BEL 2250.

To explore the role of digital and AI to improve efficiency of planning services we have commissioned the Centre for Digital Public Services CDPS identify operational delivery and user experience improvements. An alpha build of a standardised pre-application service, based on best practice examples, has been completed and shared with planning authorities. The first two cohorts of digital training and user-centred design were delivered in November 2025. Work has commenced on identifying a baseline for shared data principles and standards which will be necessary to inform future collaboration.

To support regional delivery, we have provided funding for two Senior Planner roles to work on infrastructure applications across the North Wales Region. We have funding available to support additional initiatives from local planning authorities and Corporate Joint Committees (CJCs) to maximise the benefits of shared skills and services considering the current resourcing, recruitment and skills challenges.

Building Capacity in Planning and Environment Decisions Wales

An element of Planning and Environment Decisions Wales's budget has been used to increase their capacity to deal with the rise in applications for infrastructure projects alongside other increases to planning and environmental casework. Specifically, 15 (FTE) additional posts have been introduced, with recruitment completed or well underway.

This investment in staff resources will enable Planning and Environment Decisions Wales to continue to speed up end-to-end decision times for Infrastructure Casework and introduce better pre-application and validation services to improve the quality of applications progressing to examination.

The new Infrastructure Consenting regime comes into force in December 2025. The additional staff resource will help Planning and Environment Decisions Wales to plan and prepare for this new casework type.

Planning and Environment Decisions Wales is preparing for a surge in Local Development Plan Examinations by recruiting and training additional Inspectors to undertake this work. From 1 or 2 a year, Planning and Environment Decisions Wales currently has 3 LDPs at Examination with Cardiff's LDP anticipated before the end of the year and at least 5 more in 2026.

The budget is funding improvements to Planning and Environment Decisions Wales Casework Portal to enable all parties better digital services for appeals and applications submitted to the Welsh Ministers.

How will the £5.1m funding and actions be shared across the Welsh Government Planning Division, Planning and Environment Decisions Wales (PEDW), NRW and LPAs?

Funding allocations for 2026-27 have been set in line with previous years, with resources directed primarily towards two key areas: Planning and Environment Decisions Wales, and Planning & Regulation Expenditure (BELS). Details of the specific areas of expenditure are outlined in the preceding section.

In addition to the system improvements and regional collaborative funding highlighted above which will mainly benefit local service delivery a small portion of the budget will be utilised to strengthen casework capacity within Planning Directorate two additional Senior Planning Managers have been recruited. Capacity issues remain however due to a lack of qualified town planners applying for the external recruitment campaigns. Internal promotions also mean significant vacancies still exist within our casework processing team. We are actively recruiting to fill the remaining vacancies.

Specific funding within the CCRA MEG is allocated to the Natural Resources Wales grant in aid BEL to allow the continued support and enhancement of specific work streams in ensuring the acceleration of Natural Resources Wales 's determination of infrastructure and planning decisions.

What assessment have you made of the impact of increasing planning application fees by an average of 50% on developers and planning authorities?

New Fee Regulations came into force on the 20th October and were supported by a Regulatory Impact Assessment (RIA) which considered the impacts of the fee increase on developers and planning authorities. The new fee regime will take effect on 01st December 2025 which will enable the Government to address the existing deficit between the cost of determining applications and the income received for providing this service by making provision for a more fair, effective, and efficient system of updating and publicising fees.

Fees have been increased by an average of 50% for most application types plus, a 32% fee increase for pre-application services, and a 23% fee increase for those categories not covered by the ARUP research. Following this increase, fees will be updated annually by 10% (plus inflation) until Full Cost Recovery (FCR) is achieved. After this point, fees will be adjusted according to inflation. Most application types will achieve FCR within 3-5 years. This marks the largest investment in our planning services in recent years.

The timeframe for reaching FCR has been carefully considered. Most application types will reach FCR within 3 years, while the remaining types will do so in approximately 5 years. This approach involves modest and incremental fee increases, progressing towards the goal of FCR. It aims to balance ensuring applicants can plan for and absorb these costs, while also providing financial relief to struggling local planning authorities.

The RIA explains that currently, planning application fees received as a proportion of the development management service income range from 17% - 62%. The 'fee gap' is generally larger in smaller and more rural authorities who do not receive larger applications to subsidise the service. It will take time for the forthcoming fee increases to impact on the resilience and capacity of local planning authorities services and for services

to recover from the current base line. Fee increases are not expected to completely close the 'fee gap' in all local planning authorities, but it will help to reduce it significantly.

Over time, the fee increase will significantly increase local planning authorities resources and place them on a more sustainable financial footing, resulting in more effective and faster planning decisions.