



Economy, Trade and Rural Affairs Committee

Evidence Paper on Draft Budget 2025-26 – Economy, Energy and Planning Main Expenditure Group (MEG)

15/01/2025

This paper provides information on the Economy, Energy and Planning budget proposals, specifically the Employability, Apprenticeships, Social Partnership and Skills budgets as outlined in the 2025-26 Draft Budget published on 10 December. It also provides an update on specific areas of interest to the Committee.

The Employability programmes budget delivers programmes to equip people with what they need to enter, sustain and return to employment in an ever-changing labour market, ensuring employability support is in place so people can thrive and reach their potential in a digital and net zero economy. The programmes deliver the Young Person's Guarantee - PFG commitment providing those aged 16-24 with support to access work, education, training, or self-employment and delivers against the First Ministers priorities for Jobs and Green growth and an opportunity for every family. Secure, well-paid, and sustainable employment offers both a route out of poverty and protection against it, not just for the individual, but also for their dependants and indeed their wider community.

As part of this budget, we have invested in these programmes which support our

the Wales TUC proposals for union members to become Green Representatives in the workplace and strengthen Regional Skills Partnerships. It facilitates a direct response to assist the growth of individual businesses through workforce development and provides sector-based, employer-led and wider solutions to respond to identified skills needs

such as digital and net zero in Welsh Government priority areas, which are important for the economy of Wales. I have developed a strategic framework for the future of our flagship apprenticeship programme, with a focus on addressing the challenges that both individuals and employers are facing due to the impact of the pandemic, the cost-of-living crisis and economic changes. The Statement sets out three objectives and related actions, all of which align with our refreshed Economic Mission and support our Employability and Skills Plan. We know that cross-government action across a range of policy areas is critical to ensure we can strengthen our economy in a way which builds upon the principles of wellbeing and makes Wales a great place to live and work. I will be working closely with Medr to deliver against the Statement, ensuring that we maximise opportunities for the people of Wales.

Aligned to the First Minister's priorities on providing an opportunity to every family, we continue to invest in our support for our Careers Wales service. Through professional, impartial careers guidance and employability support, Careers Wales and their Working Wales service support and guide individuals to become aware, be inspired, and to succeed from primary school and throughout adulthood, with their career pathways and journeys. Careers Wales now offers every young person a careers guidance interview before they leave key stage 4 education to ensure they are aware of all their available future options.

Contents

| | |
|---|-----------|
| Transparency of Budget Presentation | 4 |
| 1. Commentary on Actions & Detail of Budget Expenditure Lines (BEL) Allocations..... | 5 |
| 2. Specific Areas..... | 6 |
| Skills and Employability | 6 |
| Work-Based Learning..... | 10 |
| Regional Skills Partnerships/Employer Engagement..... | 11 |
| Social Partnership and fair work..... | 12 |
| 3. Summary..... | 14 |
| 4. Annexes..... | 15 |
| Annex A – Action Level commentary for the BELs relevant to the Committee..... | 15 |

Transparency of Budget Presentation

The table below provides an overview of the indicative plans for the Apprenticeship, Employment and Skills and Social Partnership plans as published in the Draft Budget 2025-26. This confirms increase in fiscal resource (revenue) of £7.380m and non-fiscal resource (non-cash) of £0.930m compared to the 2025-26 revised baseline. Capital and AME budgets remain unchanged.

| Action | BEL No. | BEL Description | £'000 | | | | |
|---|---------|--|--|----------------------------------|--------------------------|--------------|------------------------------------|
| | | | Plans as per 2024-25 Final Budget Restated | Baseline Adjustments for 2025-26 | 2025-26 Revised Baseline | Changes | 2025-26 Draft Budget December 2024 |
| Apprenticeships | 4762 | Apprenticeships | 143,898 | 4 | 143,902 | 0 | 143,902 |
| Employment and Skills | 4464 | Employability Including Young Persons Guarantee | 102,101 | 448 | 102,549 | 7,308 | 109,857 |
| Employment and Skills | 4464 | Employability Including Young Persons Guarantee - Non cash | 1,400 | 0 | 1,400 | 930 | 2,330 |
| Social Partnership | 1693 | Social Partnerships | 892 | 8 | 900 | 0 | 900 |
| | | TOTAL RESOURCE BUDGET | 248,291 | 460 | 248,751 | 8,238 | 256,989 |
| Employability Including Young Persons Guarantee | 4464 | Employability Including Young Persons Guarantee | 2,000 | 0 | 2,000 | 0 | 2,000 |
| | | TOTAL CAPITAL BUDGET | 2,000 | 0 | 2,000 | 0 | 2,000 |
| Employment and Skills | 4483 | Employability Including Young Persons Guarantee - AME | 12,000 | 0 | 12,000 | 0 | 12,000 |
| | | TOTAL RESOURCE AME BUDGET | 12,000 | 0 | 12,000 | 0 | 12,000 |

The baseline used for the 2025-26 Draft Budget is the 2024-25 Final Budget (restated September 2024) adjusted for recurring baseline adjustments for 2024-25 to support 2024-25 public sector pay award and increases to pension contributions from April 2024 due to a change in rate called Superannuation Contributions Adjusted for Past Experience (SCAPE).

These changes for budget lines relevant to this committee are summarised in Annex A.

1. Commentary on Actions & Detail of Budget Expenditure Lines (BEL) Allocations

A breakdown of changes to the budgets relevant to the Committee for the Economy, Energy and Planning MEG by spending area, Action and BEL for 2025-26 is provided at **section 1**. A commentary explaining the changes to each Action within the MEG is also provided at **Annex A**. A transparent narrative explanation has been provided to explain increases and reductions, where not covered in the evidence paper. This only covers the budgets that are been securitised as part of this committee.

2. Specific Areas

This section provides an update on specific areas requested by the Committee.

Skills and Employability

The total quantum of funding intended to be deployed on delivering the Young Person's Guarantee in 2025-26

The Young Person's Guarantee (YPG) is the Welsh Government's principal Programme for Government commitment to provide those aged 16 to 24, living in Wales, with support to gain a place in education or training, help to get into work or self-employment.

Since the launch of the Guarantee in November 2021, over 42,000 young people have started on employability and skills programmes alone. More than 5,000 young people have progressed into employment and more than 650 have started their own business.

The main programmes and schemes identified within scope of the Young Person's Guarantee are as follows:

| Young Person's Guarantee | | |
|--------------------------------------|---------------------------|---|
| Programme/project | Budget required 2025/2026 | Comments |
| Jobs Growth Wales+ | £32m | Flagship programme towards delivery of the YPG |
| Inspiring Skills Excellence in Wales | £1.26m | Includes core activity as well as funding to host the UK National competition in Wales for Nov 2025 |
| Youth Entrepreneurship | £1.39m | Key programme of delivery towards the self-employment commitment within the YPG |

Funding to contribute to the delivery of the Young Person's Guarantee in 2025-26 is across both the Education and Economy, Energy and Planning MEGs (circa £1bn), including the significant budget allocated to Medr. It should also be noted some programmes are demand led, available to all-ages and some are funded over academic years rather than financial years.

The level of funding intended to be deployed to deliver Personal Learning Accounts in 2025-26

Medr is now responsible for the budget allocations for Part Time Courses provided by Further Education Colleges, including Personal Learning Accounts (PLA). The policy responsibility for Medr sits with the Minister for Further and Higher Education.

Detail of any specific employability and skills funding being offered to support those affected by Tata's decision to halt primary steel making in Port Talbot

The planned budget for the ReAct+ programme in 2025-26 is £7.425m and we plan to have sufficient budget to manage any carry over of demand from those impacted by redundancies from Tata Steel UK and the supply chain into 2025-2026.

Detail of any specific funding for sectors transitioning to net zero to upskill and reskill workers

As noted above, in financial year 2025-26, the Welsh Government will provide £143.498m core funding to Medr which will cover a range of spending areas, one of which being part time course provision, which includes our flagship Personal Learning Account programme to help employed people upskill and reskill. Part of this programme includes a 'Green PLA' to meet net zero skills gaps in building services/construction, energy, manufacturing and engineering and wider. The wage cap has been removed for this element to allow more people to access these valuable net zero skills and qualifications.

The Welsh Government has operated a Flexible Skills Programme (FSP) since 2016. The FSP is a training grant, available to all employers in Wales, that wish to purchase training courses to meet upskilling objectives and potentially create and fill more green jobs. The Welsh Government will contribute 50% towards the training costs. It includes specific programmes to support skills gaps in the Engineering and Manufacturing Sector as well as the development of skills to help address new Net Zero opportunities. In November we launched a new Forestry and Timber Skills fund within the FSP. It forms part of our efforts to future-proof the sectors workforce and provide a pathway to a career in forestry. We have invested £7.531m in this budget to support FSP.

The ReAct+ programme is designed to help people aged 20+ who have been impacted by redundancy to find new employment in as short a time as possible. The programme can provide a vocational training grant of up to £1,500 to help participants gain the skills that recruiting employers are looking for. The programme can also offer support of up to £200 towards training-related expenses such as travel and accommodation and up to £2,100 towards care costs. The grant can be used to upskill or to re-train for work in new or emerging sectors. The programme is underpinned by robust labour market information at a local,

regional and national level The programme has recently funded courses in electric vehicle charging installation, carbon foot printing and environmental sustainability. The programme also offers wage support of up to £4,000 to employers who recruit an eligible disabled person. The draft budget allocation for ReAct+ in 2025-26 is £7.425m.

A consolidated list of all employability programmes funded by the BEL [including] The intended client base –beneficiaries of each programme- Whether they are part of a larger umbrella scheme ,ie–the Young Persons Guarantee«A list detailing the main providers for each of the programmes including their 97,92,3 contract values

Jobs Growth Wales Plus (JGW+)

Jobs Growth Wales+ launched in April 2022 and is a flagship programme under the Young Person’s Guarantee. JGW+ provides a holistic, tailored package of support for young people who are, or who are at risk of becoming, NEET.

£32m has been invested in this budget, which will be allocated to providers as detailed below to deliver the programme. The programme focuses on 16–19-year-olds who are not yet job ready, helping them to reach that stage, as well as young people who need extra support to help them overcome barriers to employment and training, including mental health and wellbeing.

JGW+ is contracted by tender; the contracts have been issued to the following Contractors under a Framework agreement within each Regional Lot:

| Region | Contractor |
|------------------------|---|
| North Wales | Grŵp Llandrillo Menai (GLLM) Consortium |
| | Coleg Cambria |
| | ACT Ltd |
| South West & Mid Wales | Pembrokeshire College |
| | ITEC Training Solutions |
| | ACT Ltd |
| South Central Wales | ACT Ltd |
| | ITEC Training Solutions |
| South East Wales | ACT Ltd |
| | ITEC Training Solutions |

Communities for Work+

As part of this budget £16.834m, has been allocated to the Communities for Work Plus (CfW+) programme. The programme provides intensive community-based mentoring and training to individuals. Since April 2018, it has helped a combined total of over 63,000 individuals with complex barriers to employment, of which over 28,000 have entered employment of more than 16 hours a week. It is delivered through all 22 Local Authorities.

ReAct+

ReAct+ is a grant funded programme which we have allocated a budget of £7.425m in this budget. The ReAct+ adult employability programme launched on 6 June 2022. It offers individualised support to unemployed adults 20+; there is no upper age limit. Support is available for participants who are affected by redundancy. It also supports ex-offenders serving their sentences in the community.

The programme delivers vocational training grants, support for employers who recruit an eligible disabled person and support for training-related costs such as travel and childcare. The Welsh Government does not contract with any training providers and participants identify the most appropriate training provider once they have received impartial advice and guidance from a Working Wales adviser.

Inspiring Skills Excellence in Wales (ISEiW)

ISEiW has a budget of £1.260m in 2025-26 and delivers a programme of activities that strengthens understanding, awareness and delivery of vocational education and training and career pathways that will impact positively on businesses in Wales. This is achieved by supporting vocational learning and delivery through Skills Competitions to help encourage young people to excel in the world of work. ISEiW is a key contributor towards the Young Person's Guarantee, supporting young people to choose a pathway most suited to their needs and circumstances be that through education, employment, training or establishing their own business. It also supports wider policy aims such as green jobs and inspiring and supporting the next generation of apprentices and vocational learners. Wales are involved in local, national and international competitions and in November 2025 will be hosting the National Finals for the first time.

Through the programme, around 1,400 young people are supported through local Welsh- based competitions and help competitors progress onto the UK Government's funded National Finals and International WorldSkills Finals.

Flexible Skills Programme (FSP)

FSP is a grant funded programme which has been allocated an indicative budget of £7.531m as part of this budget. The Programme can support, via a 50%

contribution, eligible internal and external training delivery costs and training materials aimed at all private and third sector employers in Wales.

The Programme consists of two distinct strands:

- FSP Business Development Programme is positioned to support significant employer-led business development projects, which are expected to result in business expansion and major investment leading to high quality job creation.
- FSP Partnership Projects are designed to help drive Wales's wider skills economy, focusing on priority skills needs identified by Welsh employers and industry representative bodies. The PP strand currently consists of 7 separate projects: Net Zero Skills, Forestry and Timber; Advanced Digital; Advanced Engineering and Manufacturing; Creative; Export; Tourism and Hospitality.

The Welsh Government does not contract with any training providers, and it allows employers to identify the most appropriate training provider.

Wales Union Learning Fund

The Wales Union Learning Fund (WULF) has been in operation for 25 years, providing training to unionised workplaces through unions that have secured funding to participate in the programme. Welsh Government also provides a grant to TUC Cymru which enables them to undertake a programme of work that supports a number of Welsh Government priorities including Fair Work and Net Zero and supports a union rep education programme.

For the 2024-25 financial year, the budget across both grants was cut by £1m. For 2025-26, we have allocated as part of this budget an additional £0.250m which will be reintroduced into the WULF budget and an uplift of £0.250m for TUC Cymru, which will be accommodated within the Employability and Skills including YPG BEL.

The total budget for both grants combined will be £3,339,352.

Work-Based Learning

The actual 2023-24 and forecast 2024-25 outturn for the apprenticeship programme

The actual 2023-24 outturn for the Apprenticeship programme was £186.94m (including ESF income of £40.44m). The forecast outturn for this programme in 2024-25 is £140.72m.

Details of any transfers out of the 2025-26 Work-Based Learning Action to fund Degree Apprenticeships, including anticipatory transfers in the first supplementary budget 2025-26

No transfers are being actioned as part of the draft budget 2025-26 to support Degree Apprenticeships. Now that Medr is in place, this is funded directly to Medr. However, it is anticipated that Medr will continue to offer an allocation from the funding it receives from the Apprenticeship budget of £4.111m to support Degree level apprenticeships.

Details of any funding utilised in 2024-25 and forecast to be used in 2025-26 to develop new apprenticeship frameworks and review existing apprenticeship frameworks.

Medr now have responsibility for the development of new and revised apprenticeship frameworks.

To ensure the apprenticeship offer remains current and relevant to the needs of employers in Wales, £0.200m has been allocated through Medr funding for 2025-26. This is for Framework development and review. Medr are due to publish their Framework review cycle shortly which will detail the specific frameworks that will be developed for this financial year.

Details of all demand-management restrictions and actions to manage apprenticeship demand that are in-place, or will be introduced for the apprenticeship programme during 2025-26

Medr now have responsibility for the management of demand regarding provider delivery. Welsh Government officials meet with Medr colleagues monthly to review spending profiles. Medr are developing their allocation policy for the next financial year to meet the Welsh Government's Apprenticeship Policy Statement. Medr will prioritise creating inclusive apprenticeships within WG priority sectors, explore opportunities for 16–24-year-olds and disadvantaged groups to take up an apprenticeship and ensure apprenticeships provide sufficient progression to improve labour market outcomes. Medr has developed a programme of work to review all apprenticeship frameworks to ensure they meet economy and learner needs.

Regional Skills Partnerships/Employer Engagement

Details of the funding to be provided to each RSP and for what purpose

We are continuing to work with four Regional Skills Partnerships (RSPs) to identify regional and sub-regional skills priorities. RSPs are a pivotal component of the regional skills landscape, providing labour market intelligence to Welsh Government. They work closely with employers to identify employment and skills priorities. In addition, they are providing an additional focus on key policy areas such as Digital Skills, Net Zero Wales, Welsh Language, National Occupational Standards as well as strategic priorities for the further education sector and apprenticeship delivery.

In addition, RSPs have been allocated an additional indicative budget £0.080m in financial year 2025-26 (£0.020m per RSP) to conduct engagement with their delivery partners to help Welsh Government's understanding of the current marketplace in terms

of projects and programmes to support young people and how projects can contribute to the Young Person's Guarantee.

Social Partnership and fair work

Details of allocations relating to the implementation of the Social Partnership and Public Procurement (Wales) Act, and whether these have changed from those predicted in the Regulatory Impact Assessment published to inform scrutiny of the Bill

The Regulatory Impact Assessment (RIA) provided a breakdown of the indicative costs associated with the implementation of the Social Partnership and Public Procurement (Wales) Act 2023 ("the Act"). To date, Part 1 (except for sections 9 and 10) and Part 2 have been commenced.

The Social Partnership Council (SPC):

For the financial year 2023-24, the Welsh Government spent £0.010m less on transition costs as we hosted the SPC website (digital presence) on the gov.wales platform rather than developing an external website.

For the financial year 2024-25, the recurring costs will be slightly higher than anticipated as five meetings will be held instead of the three costed in the RIA. However, this will be offset by the fact that the subgroups envisaged in the RIA have not yet been fully established.

For 2025-26, the costings are likely to be broadly consistent with those set out in the RIA although this is dependent on how many subgroups the SPC choose to establish.

Social Partnership Duty

Implementation and administration costs include engaging with social partners and other staff costs are consistent with the RIA.

The costs associated with producing guidance and raising awareness of the Act has been reduced in response to Budget pressures. Whilst we have prioritised funding for activities that will ensure effective implementation, savings have been made by reshaping our training offer, holding fewer but larger regional events to reduce costs and producing resources and materials in-house. We have continued to prioritise funding for activities that will ensure effective implementation, including the development of guidance and advice on the procurement duties; the roll-out of training sessions and webinars on social partnership and the development of case studies, tools and resources.

Details of how allocations in the draft budget will support fair work initiatives and support increased payment of the Real Living Wage

£0.040m has been allocated within the Social Partnership BEL for 2025-26 to grant fund Cynnal Cymru as the Real Living Wage accredited partner in Wales. This funding boosts their capacity and supports their ability to engage employers, increase the number of accredited employers in Wales and promote the overall benefits of the Real Living Wage.

Details of any allocations made to support the implementation of the Remote Working strategy.

Remote Working and the two related PfG commitments to (a) develop remote working hubs in communities and (b) seek a 30% target for remote working.

Given the difficult choices we have made in this budget, there is no financial headroom within the Social Partnerships BEL to provide a dedicated allocation for this work.

However, on a practical level, the PfG commitments have been delivered. We have established a network of remote working hubs, published remote working guidance and case studies, and we are monitoring the 30% target (see [Find your local remote working hub | GOV.WALES](#); [Remote working case studies | GOV.WALES](#); [Supporting successful remote working | Business Wales](#); [Key measure M5 | Transport for Wales](#)).

There is clearly a need for ongoing work in maintaining all of this and in particular, expanding the hubs, continued engagement with partners to influence behaviours, and the sharing of good practice

3. Summary

The Employability, Apprenticeships, Social Partnership and Skills Draft Budget allocations for 2025-26 is presented to the Committee for consideration.

4. Annexes

Annex A – Action Level commentary for the BELs relevant to the Committee.

Resource

Apprenticeships Action

The Apprenticeships action's budget has been protected and the 2025-26 budget stands at £144m.

Apprenticeships BEL

The revenue budget supports the delivery of the apprenticeship programme. Apprenticeships is an employed status programme which provides transferable, upskilling training via a network of Further Education and private training providers. Apprenticeships is an all-age Programme which prioritises learners between the ages of 16 and 24, those new to employment and delivery in those sectors which most benefit the Welsh economy such as STEM, health and social care and supports our net-zero ambitions.

Employment and Skills Action

There has been a net increase to the action of £8.238m for 2025-26, taking the total funding for the action to £112.2m, when compared to the 2025-26 revised baseline. This increase relates to an additional £6.5m to support the flexible skills programme, £0.250m for Wales Union Learning Fund (WULF), £0.527m to support the next round of the public sector pay awards for Careers Wales and an additional £0.930m non-cash requirement for leases accounted for under IFRS 16 and accounting adjustments on depreciation of fixed assets within Careers Wales.

Employability Including Young Person's Guarantee BEL

The Employability programmes budget delivers programmes to equip people with what they need to enter, sustain and return to employment in an ever-changing labour market, ensuring employability support is in place so people can thrive and reach their potential in a digital and net zero economy. The programmes deliver the Young Person's Guarantee PFG commitment providing those aged 16-24 with support to access work, education, training, or self-employment and delivers against the First Ministers priorities for Jobs and Green growth and an opportunity for every family. Secure, well-paid, and sustainable employment offers both a route out of poverty and protection against it, not just for the individual, but also for their dependants and indeed their wider

community. It also delivers on commitments in the Employability and Skills plan and recently published refresh of the Anti-Racist Wales Action Plan.

The budget also supports the commitments to build on the success of the Wales Union Learning Fund; support the Wales TUC proposals for union members to become Green Representatives in the workplace and strengthen Regional Skills Partnerships. It facilitates a direct response to assist the growth of individual businesses through workforce development and provides sector-based, employer-led and wider solutions to respond to identified skills needs such as digital and net zero in Welsh Government priority areas which are important for the economy of Wales.

The BEL also provides funding for Careers Wales which delivers a national, all age, impartial and bilingual careers and employability information, advice and guidance (CIAG) service across Wales. Careers Wales is a wholly owned subsidiary of the Welsh Government, the company discharges the functions of the Welsh Ministers by providing a comprehensive careers, education and guidance service to individuals and organisations, linking education and business. They work with all secondary schools, special schools, PRUs and colleges supporting young people to become more effective at planning and managing their careers in an ever changing and complex job market. Our Working Wales service, delivered by Careers Wales, provides personalised impartial careers and employability advice, guidance and coaching for those aged 16+, including those within the secure prison estate and seeking sanctuary. WW is a national model which is flexible and able to adapt to customer needs and economic challenges, on a local, regional and national level. It is also the only careers and employability support available to those in employment across Wales, including zero-hour contracts.

The BEL also provides funding for National Occupational Standards (NOS) which support cross-cutting Programme for Government skills and employability commitments by ensuring skills provision reflects employer needs. NOS underpin vocational qualifications and apprenticeships frameworks in Wales. The NOS Strategy supports the concept of lifelong learning and ongoing mobility of the workforce across sectors, regions and nations. NOS support the priorities laid out in the Economic Mission. NOS are responsive to occupational and societal changes; through the analysis of LMI the NOS system identifies occupations which are emerging, in demand and in decline, and occupational changes occurring due to new working practices, technologies and legislation.

Employability Including Young Person's Guarantee – Non-cash BEL

This BEL supports the annual non-cash depreciation budget for Careers Wales, which has increased by £0.930m in 2025-26 to £2.3m.

Social Partnership Action

There has been no change to the 2025-26 baseline budget as part of the draft budget. The budget remains at £0.900m when compared to the revised 2025-26 baseline.

Social Partnerships BEL

The Social Partnership BEL funds a range of initiatives which promote and embed the social partnership way of working, support Welsh Ministers' ambitions for Wales to be a fair work nation, and to help the Welsh Government play its part in tackling modern slavery. The BEL is also used to enhance capacity across Social Partnership and Fair Work, through the programme funding of some posts and also secondments recruited from social partners.

Capital

Employability Including Young Person's Guarantee Action

There has been no change from the restated final budget September 2024. The annual capital investment of £2m supports the Careers Wales activity for IT and estates strategy to align to Future Wales: The National Plan 2040. Strategic environmental development and sustainability will be built into the new spatial strategy with a focus on the national and regional growth areas through adopting the 'Town centre first' approach.

AME

The AME budget of £12m remains unchanged and provides cover for charges that are outside the control of the portfolio. The £12m allocated is to support pension valuation fluctuations for Careers Wales. This budget is agreed with the Treasury each year and is fully funded. The AME Draft Budget figures reflect the forecasts submitted to the Office for Budget Responsibility in September 2024.