

Draft Budget 2025 to 2026: evidence to the Senedd Economy, Trade, and Rural Affairs Committee

Written evidence by the Cabinet Secretary for Energy, Economy and Planning and the Minister for Culture, Skills and Social Partnership: December 2024

Written evidence by the Cabinet Secretary for Energy, Economy and Planning:
December 2024

Written evidence by the Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs: December 2024



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.

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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 —beneĀciaries of each programme- Whether they are part of a larger umbrella scheme ,i.e—the Young Persons Guarantee«A list detailing the main providers for each of the programmes including their 97,9 2,9 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.



Economy, Trade and Rural Affairs Committee

Evidence Paper on Draft Budget 2025-26 – Economy, Energy & Planning Main Expenditure Group

15/01/2025

This paper provides information on the Economy, Energy and Planning budget proposals, that are relevant to this Committee, 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 Culture, Arts and Sport activity is being scrutinised by the Culture, Communications, Welsh Language, Sport and International Relations Committee on 16 January and the Energy Efficiency, Planning and Ports activity is being scrutinised by the Climate Change, Environment and Infrastructure Committee on 8 January. In addition, the Apprenticeship, Employment, Skills and Social Partnership budgets have been included in the evidence provided to this Committee from the Minister for Culture, Skills and Social Partnership, so these budgets have not been included in this evidence to avoid duplication.

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Presentation of the Budget

A Breakdown of the 2025-26 Draft Budget

The table below provides an overview of the Economy, Energy and Planning MEG plans as published in Draft Budget 2025-26 on 10 December. This confirms increases in fiscal resource (revenue including non-cash) of £37.793m and general capital of £137.955m when compared to the 2025-26 revised baseline.

2025-26					
Economy, Energy and Planning MEG – Summary	Plans as per 2024-25 Final Budget Restated September 2024	Baseline Adjustments	Revised Baseline 2025-26	Changes	Draft Budget (Dec 2024)
	£000s				
Fiscal resource (revenue)	454,031	1,845	455,876	37,793	493,669
Capital	231,314	-25,615	205,699	137,955	343,654
Total Resource & Capital	685,345	-23,770	661,575	175,748	837,323
AME	58,525	0	58,525	8,000	66,525
Total AME	58,525	0	58,525	8,000	66,525
Total – Economy, Energy and Planning MEG	743,870	-23,770	720,100	183,748	903,848

The baseline used for the 2025-26 Draft Budget is the 2024-25 Final Budget (restated September 2024). The baseline has been adjusted for recurring baseline adjustments for financial year 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). In addition to the pay, there are further baseline adjustments associated with non-recurrent funding for Financial Transactions (FT) Capital.

Fiscal resource, revenue including non-cash

Additional recurrent revenue funding of £19m is allocated to the Economy, Energy and Planning MEG in financial year 2025-26. An additional £18.8m has been allocated from central reserves for 2025-26 for non-cash, which includes depreciation costs associated with leases accounted for under IFRS16, adopted from 1 April 2022. Until now, these transfers have been formalised as part of a supplementary budget.

Capital

As part of this budget there has been a net increase of £137.955m capital into the Economy, Energy and Planning MEG in 2025-26, of which £88.5m will continue to support our city and growth deals activity. A further £33m has been invested to target our key priorities on delivering jobs and green growth.

£29.5m capital FT has been allocated from central reserves to support our Holyhead Breakwater project £20m and £9.5m for Development Bank for Wales projects. There has been a £13m reduction which reflects the agreed repayment profiles in respect of loans issued in prior years.

Annually Managed Expenditure < AME

The AME budget has increased by £8m when compared to the 2025-26 revised baseline. The AME budget provides cover for charges that are outside the control of the portfolio, such as impairments on the property portfolio, pension valuation fluctuations for National Museum of Wales, the National Library of Wales, Sport Wales and 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.

As requested by the Committee, a breakdown of the 2025-26 Draft Budget by Spending Programme Area, Action and Budget Expenditure Line, including 2024-25 comparative is provided at **Annex A**.

Evidence Base for Budget Decisions

We have allocated our resources within this budget to ensure we deliver against the First Minister's priorities to support jobs and green growth including improving the planning system.

In November 2023 we launched a refresh of our Economic Mission. We need to respond to the challenges of global disruptions, inflation, interest rates and energy costs, and our new Economic Mission sets out four priorities that will shape how Wales can respond to uncertainty and exploit new opportunities:

- **A just transition and Green Prosperity** - Realising the enormous Net Zero economic opportunities and engaging with businesses and people to move towards a just transition.
- **A platform for young people, fair work, skills and success** - Backing young people to achieve the ambitious futures in Wales. Prioritising their skills and creativity.
- **Stronger partnerships for stronger regions and our everyday economy** - Working with regions to agree a smaller set of priorities for growth, local jobs and major investment. New joint working to boost the case for UK investment in projects that crowd in investment and support fair, unionised jobs in areas including Nuclear, Offshore Wind and Tech.
- **Investing for Growth** - We will work in partnership to focus on our recognised strengths to boost investment and growth that prizes fair work and long-termism. Our mission-based Innovation Strategy will target new investment in a post EU landscape, supporting commercialisation, research and development and entrepreneurship.

These priorities will shape how we consider investment, policies and programmes across the economy. The budget proposals for the Economy, Energy and Planning portfolio are aligned to support this new strategy.

We have committed to undertake a series of deep dives in 2025, which will aim to look at opportunities to deliver against specific themes across the priorities, taking a whole government and partnership approach.

To that end, we have invested an additional £6.531m revenue funding in 2025-26 to support our Flexible Skills Programme (FSP), a key lever to upskill employees and increase business productivity and turnover, particularly in sectors associated with decarbonising. The [evaluation report for the FSP](#), published in July, described it as an 'exemplar programme and the Welsh Government should seek to replicate this type of approach more widely across its other funding programmes designed to support the needs of Wales-based businesses'.

Description of Policies and Programmes by Budget Expenditure Line

A commentary explaining the changes to each Action and budget expenditure line within the MEG, relevant to this Committee, is also provided at **Annex B**. 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 being scrutinised as part of this committee. The Apprenticeship, Employability, Skills and Social Partnership budgets have been excluded as these areas have been presented in the evidence provided by the Minister for Culture, Skills and Social Partnership for this Committee.

Process for Monitoring Budgets

All budgets continue to be monitored and challenged monthly during the 2024-25 financial year, to consider the latest forecasts and budget movements as necessary. I receive regular financial updates on the forecasts for my portfolio to ensure that budgets remain on track to deliver my priorities. We maintain very close monitoring to ensure funding is being invested where best needed whilst supporting our priorities.

A significant element of activity undertaken within the Economy, Energy and Planning MEG is subject to external factors ranging from macroeconomics to demand and even the weather. Our services, such as Business Wales, must adapt to changes in the economy while schemes such as our delivery within the Employment and Skills programmes, particularly on the context of annual budget planning, can be impacted by a change in demand for the programme. This means effective planning and reprioritisation is essential. This of course means expenditure can be affected by factors outside Welsh Government control, but plans are monitored closely by my officials to agree options and proposals for corrective action in order to manage net expenditure at budget levels.

Evaluation Reports

Details of any policy or programme evaluation reports/reviews which have informed changes to the draft budget to help to ensure value for money

Evidence from a wide range of sources underpins our financial decisions such as published research, engagement with stakeholders, previous policy evaluations and statistics. This is embedded in decision making, for example:

- Alongside the aforementioned **Flexible Skills Programme** Evaluation Report, earlier this year we undertook a Net Zero Sector Skills consultation and, in the summer, we published the summary of responses alongside Emission Sector Skills Summaries and draft Emission Sector Skills Roadmaps. These strengthen our understanding of the current skills position and skills challenges for each emission sector in Wales and provide a new evidence base for the Welsh Government and Medr.
- A range of broader **employability and skills** related intelligence is produced. These include the Employer Skills Survey, which is currently in its 2022 survey analysis and reporting cycle, with the 2024 survey currently in the field. This gives detailed information on the skills demands employers face and how they meet those demands. A Wales summary of the Skills Imperative 2035 employment projections has been produced, providing a view on where data suggests the greatest labour market demands will be going forward.

This will be published in early 2025 and work is underway to analyse how this links to skills demands from the Employer Skills Survey, highlighting areas of greatest future demand. Officials are exploring how a wider skills audit for Wales may be taken forward in 2025-26 that would build on this analysis and bring in further evidence to determine Wales's skills priorities.

- A rapid evidence review on supporting young people who are not in education, employment, or training to achieve their goals was published in January 2024, providing evidence to support policy development, particularly of the YPG. The latest sweep (page 23) of the Millennium Cohort Study is nearing the end of fieldwork and will report in late 2025, providing a longitudinal view on the key transition points young people make in their lives, including those related to education and employment.
- We have published actions we have taken in response to phase one of the YPG National Conversation (a series of surveys and focus groups with 16–24-year-olds about their education and employment experiences, undertaken in three phases between 2022 - 2023) on our website. Actions include extending the eligible age range to 19 years old for enrolling onto the Jobs Growth Wales+ programme and doubling the rate of the Training Allowance to £60; a new free meal allowance; and temporarily allowing 100% of travel costs to be claimed (if undertaking training). The reports for phases two and three will be published in the new year.
- An initial evaluation has just been completed on the JGW+ programme which shows that 89% of young people said that the support given by the programme had met or exceeded expectations, had supported their career development and that their individual needs had been considered resulting in tailored training and development activities. 97% of young people stated the JGW+ programme had improved their work prospects with 91% of young people stating the programme had improved their future pay prospects.
- In addition to the above programme evaluations, a process evaluation of the Young Person's Guarantee is being conducted and is expected to report in spring 2025.
- Cardiff Business School has undertaken an impact study of the **Business Wales** service:

Business Wales core and growth (levels 1-4):

- Additional employment created/activity could be associated with an estimated £380m GVA per annum.
- Each £1 invested can be linked to around £10 of net GVA uplift per annum.
- Estimated that 7,234 of the 14,471 jobs created i.e. around half of the employment outcomes might have occurred in the absence of the

Business Wales intervention. The net (additional) jobs are estimated to be connected with around £380m of GVA.

- The cost per job created is estimated to be £0.256m. Once allowance is made for additionality, the cost per net job created is £0.513m.
- In total the activity under Business Wales core and growth programmes could be connected with £646m of GVA.
- Four-year survivability rate is 67% compared to 33% for a matched sample of non-assisted businesses.

Business Wales Accelerated Growth (AGP) programme:

- Total gross 9,755 jobs created translates to around 5,332 net jobs i.e., around 45% of the employment outcomes might have occurred in the absence of the Business Wales AGP intervention. These net jobs are estimated to be connected with around £410m of GVA.
- Cost per gross job created estimated to be £0.233m. Once allowance is made for additionality it is estimated that the net cost per job created is £0.426m.
- Additional employment created/activity estimated £410m GVA per annum.
- Each £1 invested in AGP can be linked to around £18 of net GVA uplift per annum.
- £377m of business investment connected to projected turnover of £5.99bn.
- Four-year survivability rate for AGP assisted businesses is 77.4% compared to 32.7% for a matched sample of non-assisted businesses.
- In relation to the **Export Action Plan**, we have commissioned an external evaluation to assess the Plan's effectiveness towards its aims, implementation, and its impact on Welsh export aspirations. The report is due to be published by summer 2025. The Export Action Plan was published in December 2020 and, since the start of the following financial year in April 2021 until the end of October 2024, as a direct result of the programme interventions, the Welsh Government Export Team has reported the following outputs:
 - 4,303 one-to-one meetings between the Welsh Government's specialist International Trade Advisers and businesses in Wales.
 - £309m of export sales secured as a direct result of Welsh Government export support.
 - Nearly £700m in export opportunities identified by Welsh businesses.
 - 63 overseas trade missions delivered, supporting 540 delegates.
 - 327 export programme projects delivered, covering the International Trade Development and International Trade Opportunities export market research programmes.

- 437 Overseas Business Development Visit grants provided to SMEs in Wales to visit and explore international markets and trade shows.
- 65 in-Wales export events providing support to businesses and supporting 1,917 delegates to build their export capability. This includes 5 Explore Export Wales Conferences in North and South Wales, working closely with partners across the Welsh Export Ecosystem.
- 4 cohorts of the New Exporter Programme delivered, supporting 54 businesses through the programme.
- Delivered 5 Export Clusters with 224 member companies across priority export sectors in Wales.

Budget Allocations – Four Priorities in Economic Mission

How draft budget allocations relate to each of the four priorities in Economic mission} priorities for a stronger economy

The Programme for Government (PfG) commits to building an 'economy based on the principles of fair work, sustainability and the industries and services of the future and create 100,000 all-age apprenticeships' and makes an ongoing 'commitment to lifelong learning'. National Occupational Standards (NOS) underpin vocational qualifications and apprenticeships frameworks in Wales, NOS align with the FM's priorities. 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.

Impact of Increased Cost of Living and Doing Business

The implications of increased cost of living and doing business on budget allocations and programmes

The cost-of-living crisis has resulted from fast-paced, profound, and inflation-driven macros and micro economic development, the effects of which have been felt by individuals, households and communities, especially those on low incomes since late 2021.

The ongoing cost of living crisis continues to put pressure on our **apprenticeship** provider network which has indicated that delivery costs are increasing in line with inflation.

In the 2022/23 contract year, in response to the cost-of-living crisis, a 5% increase to framework costs was implemented for Apprenticeships – a measure which was extremely well received by the network. In 2023/24 a further 5% increase to

framework costs, to acknowledge the ongoing cost of living crisis, was implemented in line with similar increases within the post-16 sector. This applied to apprenticeship delivery between Levels 2 and 5 from the beginning of the 2023/24 contract year (1 August 2023). For 2024/25 a further 3.5% increase has been applied for the same reasons despite ongoing budgetary pressure. This will help provide stability to the network enabling it to be more resilient by supporting staff retention and assisting its ability to deliver to the contract. We are investing £144m to support our apprenticeship programme in this budget.

Continuing pressures linked to the cost of delivering the apprenticeship service will be monitored by Medr with oversight from Welsh Government into 2025/26. Any further increase to framework costs will impact the number of apprentices able to access delivery. We will work with the apprenticeship sector and Medr as the 2025/26 position emerges with the aim of maintaining a quality apprenticeship product.

Considering the impact of cost of living on SMEs across Wales, **Business Wales** has been positioned to support those who face uncertainties due to the cost-of-living crisis through a combination of online, telephone, 1-2-many and 1-2-1 business support which is tailored according to client need and the different regions of Wales, dependant on local requirements. The advisory service covers all aspects to support with cost of living issues including areas such as energy and waste to water efficiency measures. We are investing £22.4m revenue funding in this budget to support our Business Wales programme.

The energy crisis felt across our economy showed us the importance of having a reliable, affordable and clean source of energy. Our budget provides funding to support the acceleration of renewable energy through funding Trydan Gwyrdd Cymru and Ynni Cymru. This funding will directly support more renewable energy in Wales that will support the economy and households alike.

In delivering activity overseas, costs (including travel, participation fees for events, accommodation costs etc.) have all increased because of inflationary pressures. In real terms, this impacts the level of activity that can be delivered and business support available.

The reducing number of international students and the higher level of tuition fee funding that these generate for universities (and the cross subsidy for RD&I) is having an impact on the level of research activity that universities can maintain. This is compounded by other increased employer costs for the HE sector (e.g. employer National Insurance contributions, increased wage settlements) which has meant that HE institutions are facing budget deficits which inevitably will result in job losses and reduced levels of RD&I activity.

As a consequence of the cost-of-living crisis, we are seeing increasing levels of poverty in working families. Employment, however, remains the most important factor in helping individuals to take steps to move out of poverty. The continued impact of cost living increases and loss of EU income, will inevitably impact on programme activities and outcomes. We are managing these pressures by refocussing or restructuring activities in the short term and undertaking a fundamental review of our employability programmes as part of the Single Operating Model programme detailed in the plan for **employability and skills**. We are investing £109.8m in our employment and skills programmes as part of this budget, recognising the importance of skills in delivering jobs and green growth.

Implications Relating to EU Transition

Any implications for the Draft Budget relating to EU transition following the UK's withdrawal from the EU–

Following the UK's withdrawal from the EU, the previous UK Government implemented the UK Internal Market Act (2020) and used the Act's financial assistance powers to spend on devolved matters in Wales without the consent of Welsh Ministers. Examples include the Shared Prosperity (the replacement to EU Structural Funds) and other Levelling Up funds. Bypassing the Welsh Government and, in particular, the loss of EU replacement funds has had a significant impact on the delivery of several of our national schemes to support growth and jobs, including Apprenticeships, Business Wales and the Development Bank for Wales (see below).

The UK Government confirmed in its Autumn Budget (1st phase of the Spending Review) a transition year for the Shared Prosperity Fund in 2025-26. Looking further ahead, we will be working closely with the UK Government and our partners on a new post-2026 regional investment approach (2nd phase of the Spending Review) which will lead to more strategic investments in the key drivers of growth.

How the Minister is managing any negative impact on budgets within the portfolio arising from the ending of Structural Funds and/or seeking to take advantage of any opportunities that may arise–

ESF provided £206m of funding to the apprenticeship programme between 2015 and 2023. The loss of EU funding, with no identified replacement, has significantly impacted apprenticeship delivery from the 2024/25 contract year onwards with fewer apprentices expected to access the programme.

The end of structural funding has had a significant impact on Employability provision. Employability programmes including Communities for Work+, Jobs

Growth Wales+ and ReAct+ and their predecessor programmes have been significant beneficiaries of ESF funding under the 2014-20 round of programmes with £181m ESF approved in total for these activities. Following the end of ESF in 23-24 and without replacement funding this has presented a significant challenge for employability and skills support from 24-25 onwards. The Single Operating Model (SOM) programme is about managing the loss of ESF as well as improving the impact of the programmes and providing a seamless provision for users.

Implementation of Legislation

How the Draft Budget provides for the implementation of legislation passed in the Senedd/as well as any relevant UK legislation–

The Social Partnerships BEL provides a budget of £0.889m to help support the implementation of the Social Partnership and Public Procurement (Wales) Act 2023, which fulfils a Programme for Government commitment to place social partnership on a statutory footing in Wales. The Act provides for a framework to enhance the well-being of the people of Wales by improving public services through social partnership working, promoting fair work and social responsible public procurement.

Wellbeing of Future Generations (Wales) Act 2015

What account has been taken of the Wellbeing of Future Generations, Wales« Act 9782 in deciding draft budget allocations

Our Innovation Strategy was developed with engagement from across stakeholder groups, including children and young people in line with Article 12 of the United Nation Convention on the rights of the child, and our duty to involve citizens in the Wellbeing of Future Generations Act 2015.

The social and economic costs of unemployment can be considerable not only for individuals but also for the wider community. Hence the Welsh Government approach to our employability programmes (JGW+, CfW+ and ReAct+) reflects the central sustainable development principle embedded within the Well-being of Future Generations (WFG) Act and is working to achieve a vision of a prosperous Wales through the development of a Welsh economy which spreads opportunity and tackles inequality. Where provision is contracted, we also ensure contractors outline how they contribute to the seven wellbeing goals within their Future of Wellbeing Strategy, including ‘a resilient Wales’ and a globally responsible Wales’.

Our approach to scaling up renewable energy in Wales is driven by our commitment to the well-being of future generations in Wales. Through Trydan Gwyrdd Cymru we will be delivering on our net zero commitments with greater

Welsh ownership of projects retaining benefit and income in Wales to invest in current and future generations.

Equality, Sustainability and Welsh Language Impact Assessments

Details of how the draft budget has been influenced by equality/sustainability and Welsh language impact assessments

As part of the Draft Budget, we have taken an integrated approach to impact assessments, as well as considering the impact of decisions and policies on social, economic, cultural and environmental well-being, as set out within the Well-being of Future Generations (Wales) Act, which continues to be an important driver guiding our Budget considerations.

Our Budget through the Strategic Integrated Impact Assessment identifies key trends, strategic and cumulative impacts at portfolio level, across a range of areas, including giving due consideration across the statutory requirements. This ensures strategic budgetary decisions reduce the disproportionate effect on any one specific group or area; whilst also helping to identify opportunities to maximise positive impacts and reduce inequalities across our society. A robust SIIA ensures every pound invested delivers the greatest positive impact.

Our employability programmes (JGW+, CfW+ and ReAct+) aim to ensure equality and accessibility for all. It is important to ensure that those with multiple barriers and/or those who share certain protected characteristics have equal access to our employability programmes but also equal outcomes from participating in the Programme:

- **Communities for Work+** has made a number of provisions to ensure equality for all such as barriers' funding which will provide a contribution towards costs associated with attending training, contributions towards care, including childcare costs and a contribution towards special equipment for those who are disabled or who have a work limiting health condition to enable them to participate in the programme.
- **On JGW+** referrals are monitored by age, gender, ethnicity, and disability status, including data and analysis from referral agencies enabling us to benchmark participation rates against local and national averages and take positive action to improve participation and attainment by under-represented group.
- **The ReAct+** programme provides additional support to remove barriers to training. ReAct+ participants can receive up to £200 to help with training-related expenses such as travel and accommodation costs. There is a care

costs grant of up to £0.002m to cover care costs incurred during training. The programme also offers wage support of up to £0.004m to employers who recruit an eligible disabled person. The programme monitors the characteristics of programme participants e.g. age, gender, ethnicity and disability and we work with stakeholders to identify ways of improving access to support by those from under-represented groups.

- Our programmes are delivered bilingually, and Welsh language courses are offered as part of CfW+ and ReAct+. JGW+ contractors also produce a Welsh Language Policy outlining how they contribute to promoting the development of the Welsh language as a skill in the workplace and the take up of Welsh language and bilingual training.

The strategy has been developed following extensive engagement with a broad range of stakeholders, at various stages of the development. Early engagement with stakeholders from across the public, private and academic sectors took place. A contract was issued to the Co-production Network who led on engagement with children and young people, citizens, communities and the third sector. In addition to targeted engagement an open consultation was held with open events held across Wales. An equality and diversity questionnaire was made available to all participants in the engagement and consultation activity. In addition to broad engagement an external advisory group has been operating throughout with representation from Universities Wales, Industry Wales, the Welsh Language Commissioners office, Natural Resources Wales and the Older Peoples Commissioners office.

Impact of Deprivation and Poverty

How the draft budget reflects the Welsh Government's long-term commitment to reduce the impact of deprivation and poverty

Our **Innovation Strategy Wales**, sets the foundation for a dynamic future for Wales where, by working together, innovation and new technologies can bring better health, better jobs and create prosperity for businesses, universities, and our local communities. In developing the strategy, we undertook community and citizen engagements, ensuring people from across all communities, in all parts of Wales were given the opportunity to share thoughts, feelings and ideas with respect to the strategy and, in-person events were held in every region in Wales.

Our aim is to harness opportunities, wherever they come from, to create an environment where knowledge and ideas will be supported and commercialised and that in every part of Wales, rural and urban conditions are improved for every Welsh citizen socially and economically.

Our **Employability programmes** (JGW+, CfW+ and ReAct+) aim to equip people with what they need to enter, sustain and return to employment in an ever-changing labour market. 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. We also provide specific help where needed. For example, Jobs Growth Wales+ offers young people targeted help which will benefit all participants, but particularly those living in poverty. We offer a training allowance at £60 per week (pro-rata for those attending part time) as well as either a daily meal allowance or a meal provided by our contractors.

Demographic Changes – Ageing Population

How the Welsh Government has planned for demographic changes in preparing the draft budget[particularly the need to plan for an ageing population]

There is no upper age limit on many of the programmes within Employability & Skills. They continue to test 50+ interventions to enable this cohort to remain in or reattach to the labour market.

Equally, we operate an all-age apprenticeship programme which creates opportunities for people in all parts of Wales, of all ages and backgrounds, to develop transferable skills which are valuable in the workplace and improve their lives. Our goal is to at least maintain the number of all-age apprenticeship start opportunities targeted during the previous Senedd Term (100,000).

Preventative Spending

The proportion of the Economy budget allocated to preventative spending measures

These budget proposals reflect my continuing commitment to protect and prioritise investment that supports preventative measures as far as possible. Our spending decisions, where possible, have not just focussed on funding demand in our programmes, but we have invested resources as part of this budget to try and alleviate and prevent issues from occurring.

Details of specific policies or programmes relevant to the remit of this Committee that are intended to be preventative[and how in practice public services are being transformed to ensure they are sustainable in future]

Our **employability programmes** (JGW+, CfW+ and ReAct+) aim to prevent economic inactivity and long term unemployment:

- It is widely recognised that a period of sustained unemployment can have a long-term scarring impact on a young person's employment and earnings prospects, as evidenced after the 2008/09 recession when unemployment for young people aged 16 – 24 peaked at 23.5% in 2012. But the right intervention can help to mitigate these impacts. Jobs Growth Wales+ aims to tackle this issue by targeting NEET young people with tailored support which will ultimately improve their chances of finding sustainable employment and reducing child poverty for future generations.
- CfW+ has strong preventative measures and helps to break negative cycles around poverty, inequality and lack of opportunity. Unemployment and economic inactivity can have a detrimental effect on physical and mental health of people. The programme also helps prevent issues around loneliness, poor health and wellbeing through the use of the mentoring model; participants will have a mentor who will build a positive relationship with the candidate and advise them on issues around their goals and ambitions as well as providing more holistic support to the participant.
- The ReAct+ programme supports people aged 20+ who have been impacted by redundancy find new employment in as short a time as possible thus preventing progression into long-term unemployment. ReAct+ can also support ex-offenders and offenders serving community sentences to gain the skills that they need to find employment and reduce re-offending.

How the value for money of such programmes is evaluated[with a particular focus on what the specific inputs and intended outcomes are

The aim of the ReAct+ programme is to help people impacted by redundancy to gain the skills that recruiting employers are looking for. The programme can provide a vocational training grant of up to £1,500. Programme participants source their own training following impartial careers advice and guidance from a Working Wales adviser. Value for money is one of the factors we take into account when considering grant applications and we are aware of the 'market rate' for training courses. ReAct+ can cease funding certain types of training if it cannot be shown that they enhance employment prospects.

Individual Budget Expenditure Lines

Budget lines relevant to this committee are summarised in **Annex A** and **Annex B**. This includes the costs of delivering these policies.

How the delivery of the policy and its associated outcomes will be monitored and evaluated to demonstrate value for money

Value for money and clarity over how we use our resources effectively is central to delivering our priorities. Once expenditure is planned in line with priorities, we have well-established processes in place to ensure that resources are used effectively for the purposes intended.

Specific Areas

Economy

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

Support to help business and workers as a result of the increased cost of living and doing business

Direct support is available for businesses facing uncertainties due to the cost-of-living crisis and recovering from the impact of the pandemic through a combination of online, telephone, and 1-2-1 business support which is tailored according to client need and the different regions of Wales, dependent on local requirements. The service is available to support existing businesses, start-ups and individuals who are considering self-employment and can be accessed digitally via <http://businesswales.gov.wales>, social media channels and the 03000 6 03000 helpline.

Any allocations in relation to the Freeport Programme in Wales

No allocations have been provided as part of this budget for Freeports in Wales.

Subject to Final Business Case approval, and agreement of Memoranda of Understandings (MoUs) with Welsh Government and UK Government, the Welsh Freeports will become eligible for seed capital funding of up to £25m each (up to £50m in total). It is anticipated that some of the funding is likely to be awarded in 2025/26, subject to business cases. The funding will be paid to the Freeports by Welsh Government and reimbursed by the UK Government.

The Freeports programme includes some costs that are met by the UK Government and others that Welsh Government is expected to meet. The UK Government provided £0.600m in 2023-24 and is expected to provide £1.4m in 2024-25 for capacity funding for the prospective Freeports. This funding is paid to

the Freeports by Welsh Government and reimbursed by the UK Government. The 2024-25 transfer is expected to be formalised as part of the second supplementary budget process.

Any allocations in relation to the potential creation of investment zones in Wales

No allocations have been made as part of this budget for investment zones.

The Welsh Government and UK Government have agreed to establish two Investment Zones in Wales: one in North East Wales covering the Flintshire and Wrexham travel to work area; and one in South East Wales covering the Newport and Cardiff travel to work area. The development of Investment Zone proposals is being led by the relevant Corporate Joint Committee (CJC). The business cases developed by the CJsCs will be jointly assessed by both the UK Government and Welsh Government.

Each successful Investment Zone will be eligible to receive up to £160m funding over a 10-year period. This can be used to fund a mix of tax reliefs (both reserved and devolved) and flexible funding to unlock investment and address barriers to growth. The devolved tax reliefs being made available are Non-Domestic Rates (NDR) relief and Land Transaction Tax relief. The Investment Zones will also be able to benefit from up to 50% Non-Domestic Rates retention.

The £160m overall financial envelope will be funded directly by the UK Government and, if tax sites are agreed, will be used to finance both the reserved and devolved tax reliefs (but not NDR retention). Welsh Government expects to receive funding from UK Government to cover the cost of devolved tax reliefs and for Welsh Government to provide grant funding to the Investment Zones in line with agreed business plans.

The Welsh Investment Zones are in a relatively early stage in the development of their business cases and their proposals and costings are not yet fully developed. It is anticipated they will be established in 2025/26 and will draw down some funding in that financial year.

Allocations to support regional economic development[including those made to develop and deliver the regional economic frameworks[Tech Valleys]and the Arfor₉ programme

Regional Economic Frameworks (REFs)

In December 2021, we published the regional economic frameworks for the four regions in Wales. The Regional Economic Frameworks are integral to our commitment to a place-based model of economic development where we build on and work with the distinctive strengths of our regions. The frameworks have

been shaped with partners in each of the regions, including local authorities and regional bodies.

They are based on evidence and agreement, with clear priorities that are aligned with our framework for regional investment, the economic mission and, of course, the programme for government.

This mature approach is essential to the creation of a shared vision with common objectives to deliver a fairer, greener and more prosperous Wales.

In addition to the direct allocation of funding through my MEG the REFs provide the strategic priorities for regional investment across Government. In addition, there is a small regional budget of £0.450m allocated for financial year 25-26 to support a range of projects which align to the priorities of the REF.

Tech Valleys

Tech Valleys has a budget allocation of £5m capital and £1.76m revenue for 25-26. Tech Valleys is a Programme for Government commitment over ten years (to 2028) to create 1,500 sustainable jobs, increase average weekly wage and GVA focused on Blaenau Gwent by capitalising on opportunities arising from the fourth industrial revolution, encouraging the adoption of digital technologies, and developing high value advanced technologies supporting cutting edge industries such as 5G, battery technology and research into automotive vehicles. The impact of this investment is reaching across all the South Wales Valleys.

The vision states that by 2027 the south Wales Valleys will be recognised globally as a centre for the development of new technologies that support cutting edge industry. The programme is being delivered through a portfolio of projects that grow organically over time. The programme is focused on creating an attractive environment for technology companies to locate and develop, including through investing in buildings and land preparation to bridge the viability gap and creating new space for entrepreneurs and start-up businesses.

By investing in the three pillars of infrastructure, business support and skills the region will not only create a physical environment where high-tech manufacturing companies can thrive but also enable existing industries to move up the technology roadmap.

To-date, Tech Valleys investment has helped created 298,000 sq.ft. of new and refurbished floor space, enabling 600 potential jobs both by enabling redundant land to be brought into economic use, and through working with existing companies to help enhance productivity and skills and grow existing production. It is supporting resilience, efficiency and the up-take of technology in small and medium sized businesses and raising awareness of STEM-related careers and promoting the take-up of STEM subjects at school and post 16. This figure will

continue to grow as projects currently in development come to fruition. We are also continuing to work with partners to identify and develop new projects including exploring further property development opportunities.

The programme delivers against this government's priorities, including our Programme for Government commitment to build an economy based on the principles of fair work, sustainability and the industries and services of the future.

One of our biggest investments through the Tech Valleys Programme is over £16m for the establishment of the Thales Ebbw Vale Technology Campus – a partnership between the Welsh Government, academia, business and Thales UK Ltd. The campus provides world-class, cutting-edge facilities which research solutions into the cyber resilience of critical national infrastructure and is a key economic development and growth catalyst project in South Wales.

ARFOR 2

The ARFOR programme comprises a number of strategic interventions supporting those communities in the 4 local authorities where the incidence of Welsh speakers is highest and is being delivered by a mix of procured services across all 4 local authorities as well as an element of direct delivery via each local authority. The programme comprises of a number of elements, including support for business via Cymunedau Mentrus, focussed support for young people under Llwyddo'n Lleol as well as a Challenge Fund supporting a range of innovative projects, and on-going marketing and independent evaluation of the programme to help understand the value of the interventions on the economy and Welsh language communities

The programme is currently in delivery and the ongoing evaluation has yet to conclude. Discussions are taking place with partners regarding the future of the programme and the opportunities for mainstreaming the learning from it.

Any allocations to support the individuals and communities impacted 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.

The financial allocations associated with the foundational economy

The Backing Local Firms Fund (BLFF) is a Programme for Government commitment introduced in this Senedd term. Since its introduction, the BLFF has been aimed at supporting micro, small and medium firms with a head office in

Wales to help overcome issues and barriers they face, especially when doing business with the public sector in Wales.

The first BLFF allocation in financial year 2021-22 amounted to £1m and in 2022-23 grew to c£1.4m of the £3m Foundational Economy (FE) programme budget. The total FE budget for 2025-26 is £1.0m and £0.5m is allocated to BLFF and the remainder of the budget has supported delivery of non-BLFF activity, including the Capability Networks delivered through Cynnal Cymru; funding procurement improvement work in NHS Wales; social care micro care providers; work experience in delivery of housing projects; and developing a strategy for public sector sourcing of local food.

As part of our contribution to support the wider Welsh Government reprioritisation exercise, we reduced our bespoke funding towards the Foundational Economy (FE) programme from £3m to £1.163m in 2024-25. The removal related to the BLFF element of the FE programme. We have mitigated the reduction by working with Business Wales to mainstream support to FE businesses supported by £0.5m additional funding from the FE budget, ensuring they are focussing on priority sectors and learning previous lessons from the programme, and by supporting potential FE projects to access alternative funding sources, such as Innovation funding.

The Development Bank for Wales < including allocations to the Green Business Loan Scheme[the Green Homes Wales Scheme]and support for employee-owned businesses

The Development Bank of Wales delivers a suite of funds and services on behalf of multiple departments. It is one of Wales's cornerstone economic development institutions. It delivers to both businesses and individuals (operating schemes such as Help to Buy Wales and Help to Stay to the latter), it supports Government in managing several complex investments and loans and is the vehicle for the Mutual Investment Model Scheme which supports delivery of key capital infrastructure projects across Wales.

In 2023 the Development Bank launched a Green Business Loan Scheme. The £10m pilot is proving popular with businesses, with £5.9m invested to date. A further £4.5m will be invested in Green Business Loans to support SMEs and medium-sized businesses to encourage investment in energy efficiency enhancements and decarbonisation projects.

In 2025/26 to support established and start-up micro businesses, small and medium enterprises and social enterprises, we are allocating a further £2m to the Wales Micro Loan Fund. We are also allocating £3m to continue our support for Welsh businesses by providing a source of alternative finance through angel

investment. The funding will encouraging new business creation and economic growth in Wales.

DBW is delivering on Programme for Government commitments to (i) increase the use of equity stakes in business support and (ii) increase the availability of patient capital to businesses.

Since the start of this Senedd term in 2021, DBW has increased the use of equity stakes in business support from £13.8m to a rolling 3-year average of £15.5m per annum and has expanded its provision of patient capital (debt) to businesses from £25.3m to a rolling 3-year average of £37.4m per annum.

Headline results for the financial year 2023-24:

- £175m total impact on the Welsh economy
- £125m direct investment into Welsh businesses £50m additional investment from banks and other private-sector co-investment
- 491 investments
- 4,406 jobs created or safeguarded

Development Bank of Wales investment has grown steadily since launch in 2017, increasing from £68m in 2017-18 to £125m in 2023-24.

Because DBW operates financial instruments, loans and investments, it receives back a large proportion of the funds it deploys. This makes the net cost of delivery very low when compared to other routes such as grant funding. Moreover, DBW funding normally leverages significant private sector funding, improving further the overall value proposition. Since launch £531m of private-sector co-investment has been made. Performance and impact figures to date include £778m direct investments to 3,938 Welsh businesses, creating/safeguarding 41,700 jobs.

As a result of the bank being reclassified by the Office of National Statistics to the Central Government classification in 2021 the Welsh Government is seeking a budget neutral outcome from HMT. Securing this outcome is taking time to achieve, in part due to the capacity of HMT to engage with the Welsh Government on this matter. The need to address this matter and bring it to resolution has been highlighted to the Cabinet Secretary for Finance and Welsh Language who has agreed to prioritise this matter in his negotiations with the new Chief Secretary for the Treasury.

Financial allocations to Business Wales

The revenue funding allocated as part of the 2025-26 draft budget to support Business Wales stands at £22.4m. This allocation will support the five themes of work delivered by the Entrepreneurship and Business Wales division, which are:

- **Digital and helpline service** provides a fully bilingual, accessible point of contact offering a full range of information and guidance for entrepreneurs and businesses. This provides impartial tailored information and resources to help navigate business support. The Sell2Wales procurement portal promotes opportunities for businesses to access and win public sector contracts.
- **Business Wales supporting entrepreneurs and business start-up** inspires and develops the capability of entrepreneurs by developing a culture of entrepreneurship and business start-up in Wales focussing on reaching out to young people in education and those under 25 years, adults who are considering starting their own business, and targeted outreach for individuals underrepresented in business start-up and society.
- **Business Wales development and advisory support** builds the confidence and resilience of the business community in Wales through the provision of dedicated advice, support and focussed relationship management. The service provides advice and specialist support in a breadth of helping businesses create opportunities for employment, access finance seek new markets and improve business practices and their productivity.
- **Business Wales Accelerated Growth programme** provides tailored business support, relationship management and specialist coaching for selected pre-revenue and established businesses that can demonstrate the aspiration and potential to achieve high growth. High growth support is delivered by highly skilled coaches and mentors and is supported with a suite of dynamic online high growth tools.
- **Social Business Wales** provides a dedicated, collaborative specialist service for social enterprises focused on achieving the outcomes as set out in the ten-year Vision and Action Plan 'Transforming Wales through social enterprise'. This includes one-to-one business support, to eligible new start and growth social businesses, dedicated employee ownership support and peer mentoring support.

The Financial allocations to deliver the Programme for Government commitment to seek to double the number of employee-owned businesses

The Welsh Government made a commitment in our Programme for Government in Wales to double the number of employee-owned businesses by 2026. The commitment has now been met; however we remain committed to providing greater support to ensure Wales-based companies remain in Welsh hands. The

budget allocation in 2021-22 was £0.045m, in 2022-23 £0.05m, in 2023-24 £0.065m. The budget allocation for 2025-26 is £0.05m to continue and build on this work.

There were originally 37 and this has grown to 87 in Wales.

Working with Cwmpas the Welsh Government work closely to promote the benefits and development of employee ownership in Wales to ensure business based in Wales are aware of the opportunities and benefits it offers.

The Welsh Government's Business Wales and Social Business Wales service offers specialist advice to support employee buy outs, with fully funded and bespoke help available to help business owners decide if employee ownership and share schemes are the right solution for their business.

The Community Bank

'Establishing' a community bank is not something within the powers of the Senedd. We have worked with Cambria Cydfuddiannol Ltd (CCL) to encourage existing operators to explore and develop plans to this end. Grant funding of £0.210m was provided to CCL in financial year 2024-25 to this end.

In 2023 the Monmouthshire Building Society stood back from their commitment to deliver the Community Bank. Since then, CCL has worked with another organisation interested in developing plans for a community bank and has undertaken market insight work in support of this.

Any organisation wishing to develop a community bank in Wales must do so on a fully commercial basis and must operate within the sector licensing and regulatory environment. Ultimately, decisions on delivery are for operators in the sector, not the Welsh Government.

While our work has resulted in a number of organisations exploring the concept of a community bank in depth, we also acknowledge that market conditions have been challenging in recent years and wider sector developments continue to shape the context for any new delivery models.

No budget has been allocated as part of the 2025-26 draft budget to support further activity directly linked to supporting the creation of a Community Bank.

Support for key manufacturing sectors such as aerospace[automotive and steel

Our Programme for Government is committed to supporting strategically important sectors for Wales and the UK.

We have provided funding of £0.819m to support the work of Industry Wales, who are a voice for manufacturing in Wales across key sectors including aerospace, defence, space, cyber and automotive.

Aerospace Defence Space

The Aerospace Wales Forum (AWF) is the trade association for all companies operating in the Aerospace & Defence and Space sectors in Wales. It was set up in 2001 and is the voice of the sector in Wales, providing a voice for the sector and for providing many services. The funding we provide to Industry Wales includes core funding for AWF and has also received funding to create a network of companies engaged in maintenance repair and overhaul (MRO) so that they may collectively trade and thus attract greater potential trade than they would individually.

There are 11 companies who make up the Hub (Oct 2023) and over 50 companies operating in MRO in Wales. AWF provides companies opportunities to participate in global trade shows, in primes' supply chain programmes, in business improvement activities and in network events it holds for its 170 members.

Our investment in AMRC Cymru supports Airbus' Wing of Tomorrow as a core activity alongside open access facilities for wider industry. Successful bids for Wins of Tomorrow programme elements such as SusWing and DAWN have brought large ATI investments into Wales.

Space expertise in Wales includes but is not limited to; space and planetary robotics, solar system physics, advance instrumentation, sensors and detectors, structures and advanced materials, propulsion, satellite system/instrumentation design and engineering, space photovoltaics, Earth Observation instrumentation, cryogenics, telecommunications, hydrogen research, optoelectronics and data visualisation solutions.

Space Wales funding enabled the development and publication of the first Space Strategy for Wales along with cluster development activity overseen by the newly established Space Leadership Council. The next phase of activity includes refreshing the strategy and demonstrating what progress has been made.

Automotive

The funding Welsh Government provide to Industry Wales includes core funding for the Welsh Automotive Forum (WAF). We benefit from regular real-time updates on the position of the automotive sector from WAF's roundtables which continue since Brexit and pandemic. We are updated on the impact of global freight disruptions, the semiconductor chip crisis, the impact of Brexit, the current cost of doing business crisis, the difficulties in recruiting and retaining staff and geopolitical tensions, increased material cost and lead times.

We continue to fund WAF to support the sector and the wider Welsh supply chain to transition to low/Zero carbon vehicles.

Steel

As detailed in Net Zero Wales published in October 2021, the industry and business sector accounted for 38% of Welsh emissions in 2019. Of the total emissions from the industry and business sector 37% are from the iron and steel industry. The transition to EAF steelmaking at Port Talbot will have a significant impact on emissions from the steel industry in Wales.

Decarbonisation of the steel industry continues to be a priority for the sector. Delivering a just transition to a low carbon future is critical and because of the mix of reserved and devolved responsibilities relating to business and industry and we need to work closely with the UK Government to deliver the right policy mix.

The potential impact of decarbonisation policies on industrial competitiveness requires a balanced system of support across the UK and this must consider the unique geographical challenges of the industrial regions of Wales. Our pathway to a net zero Wales is challenging, but it will offer opportunities for sustainable growth and more resilient businesses.

*The allocations to deliver Welcome to Wales}priorities for the visitor economy
9797 32[including the Wales Tourism Investment Fund and Brilliant Basics
Fund and any allocations to develop a successor*

In the Welsh Government's tourism strategy, Welcome to Wales: Priorities for the visitor economy 2020-25, the ambition is to grow tourism for the good of Wales, e.g. economic growth that delivers benefits to the people and places of Wales, environmental sustainability and social and cultural wellbeing.

Planned activity in 2025-26 includes investing in our marketing programme, grading, investment in skills and our capital development programme allowing us to continue a sustained promotion of core products e.g. the Wales Coast Path, supporting complementary activity across Events Wales and others and working in collaboration with WG stakeholders such as Transport for Wales, Cadw and Landscapes, Nature and Forestry.

£9.1m revenue and £6m capital in financial year 2025-26 will support the delivery of this priority.

The £50m Wales Tourism Investment Fund (WTIF) is a combination of grants and loans, managed by the Development Bank of Wales, which will continue to help finance capital investment in projects that grow the sector and have a positive impact on the Welsh economy.

The fund brings together both commercial and grant funding into one combined package of financial support to provide capital investment for the sector and will help finance capital investment in tourism projects which have the opportunity to

create positive impact on growing the sector and Welsh economy. WTIF will continue to support eligible capital projects during 2025-26 which will enhance the tourism offering of Wales by supporting our strategy for the sector.

The Brilliant Basics fund will continue for 2025-27. The purpose of the fund is to deliver improvements in basic but essential visitor infrastructure at strategic tourism destinations across Wales to ensure that all visitors have a positive and memorable experience throughout all aspects of their stay. The fund is open to local authorities and National Park Authorities.

Any allocations in relation to the visitor levy and tourism accommodation legislative proposals

£0.2m revenue and £0.7m capital has been allocated as part of this budget to support the development of the registration system, which is being led by the Welsh Revenue Authority (WRA) as part of implementation planning for the Visitor Levy Bill.

These costs are being shared with Welsh Treasury and are based upon cost estimations provided by the WRA.

Work is continuing on the Regulation of Visitor Accommodation Bill (SRLS) (specifically Licensing). Implementation for this Bill will require future funding.

It is to be noted that the Regulation of Visitor Accommodation will require additional funding moving forward, particularly for the development of a digital service.

The Cabinet Secretary for Finance and Welsh Language is now leading both the Visitor Accommodation (Register and Levy) etc (Wales) Bill and the Regulation of Visitor Accommodation Bill through the Senedd.

Support to deliver Together for retail}a Wales Retail Forum action plan

The Retail Action Plan was launched in May 2023 and brings together a number of actions to support the retail sector advance toward the Retail Vision. The Action Plan is a product of social partnership work lead by the Retail Forum, with actions are collectively agreed and owned.

The Retail Forum was brought together to support continued close working between retailers, retail sector representatives and Welsh Government, with the initial aims of building on the good relationships and collaboration which was seen during Covid-19. The Vision was developed in recognition of the need to support the retail sector post-covid as very significant structural changes to our high streets and consumer shopping behaviours are resulting in very serious challenges for retail and workers in the sector.

A conscious decision was made by the Retail Forum that the Action Plan was developed to provide purpose, direction and focus and to influence how all parties engaged would utilise the resources and levers available. There was no identified or ring-fence funding to support the actions in the plan.

The Action Plan identifies opportunities to collaborate and use the available tools and levers across the social partnership to deliver positive outcomes identified for the retail sector in Wales. The Action Plan focuses on where the social partners can raise awareness and utilise existing support measures across for example the Welsh Government, like through the young person's guarantee and utilise our ability to convene parties, to advance work identified in the Action Plan to support those who work in the sector and the retail businesses to play their part in contribution for example to Welsh Governments net zero ambitions.

Retail is one of the largest private sector employers in Wales. The Action Plan outlines actions to work on delivering better outcomes for those who work in the sector, ensure retail has a future in our towns and city centres and contributes to wider work to advance towards Net Zero and make sure Retail is actively tackling issues on equality, diversity and inclusion.

Allocations to support businesses and workers in the transition to Net Zero[such as those to support the creation of sustainable green jobs[and those that ensure that workers will have the necessary skills for these jobs

In June 2024, we published the summary of responses to our Net Zero Sector Skills consultation, alongside Emission Sector Skills Summaries, which strengthened our understanding of the current skills position and skills challenges for each emission sector in Wales and provides a new evidence base.

In 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.

In March 2024, the then First Minister approved the creation of a £2m targeted PLA Intervention stream (with the wage cap removed for those impacted by redundancies at TSUK. This approval was noted by the then Minister for Economy and also the Minister for Education and Welsh Language.

£22.5m has been invested in PLA during the last financial year, to help employed people upskill and reskill. During the 2023/24 TSUK Pilot between April and July,

PLA helped 806 employees at TSUK/TSUK supply chain to engage in 998 re-skilling or upskilling programmes. PLA will continue to be available in the 2024/25 academic year and a further 44 people have enrolled.

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. In 2025-26, the FSP budget will be £7.531m.

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 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.

In terms of business advice, Business Wales aims to build strong resilient companies and provides access to a range of support, information and signposting as well as specialist strands of advice such as support on green policies, practices and resource efficiency, as well as workshops and one-to-one advice. Business Wales promotes and is working to embed decarbonisation and climate change considerations into service delivery, so that they are central to discussions with businesses alongside fair work and productivity.

Through Business Wales, Decarbonisation Advisers are available to support businesses to adopt or improve environmental strategies, and work with businesses towards creating a resource efficient and resilient business.

Advisers provide a range of advice such as using fewer raw materials to reduce the risk of material scarcity, driving innovation and resilience, and helping businesses reach new markets. They can also help businesses reduce overheads and increase profitability; comply with health, safety and environmental legislation; enhance business image with customers, employees and the local community and improve the workplace and the local environment.

As part of our commitment to the Net Zero Plan, Business Wales works with businesses in Wales, particularly SMEs, to incorporate energy efficiency, resource efficiency and new low carbon technologies into their workspaces and manufacturing facilities and develop new ways of working. This support includes advice to businesses on longer term change together, awareness of financial support to decarbonise along with advice in dealing with the economic impacts of the energy crisis. This includes development of the Green Growth Pledge, which helps business realise the financial, environmental, and societal benefits of operating more efficiently, taking practical steps to reduce and reuse, source responsible suppliers, innovate and win more business, alongside the Economic Contract for relationship managed SMEs.

The Development Bank of Wales has a dedicated 'invest to save' offer called the Green Business Loans Scheme, which helps businesses reduce their carbon emissions and save money on their energy bills. This pilot scheme will provide green business loans, which will enable businesses in Wales to borrow money at discounted rates and on flexible repayment terms, so they can invest in measures to reduce not only their carbon footprint but also their energy bills. Businesses can use the money to improve the energy efficiency of their premises, invest in renewable energy technology or upgrade their machinery and systems to reduce their waste, water and energy use. In addition to the discounted loan offer, businesses utilising the scheme will have access to consultancy via Business Wales, to support them to decide what to invest in.

The Business Wales website and social media channels have shared messaging and published a range of content regarding resource efficiency and climate change including events, funding and business support advice.

Business Wales offers a range of workshops and webinars which provide businesses with support to adapt to emerging climate change challenge, for example attendees at our start-up workshops are asked to create a green growth pledge to help them understand the benefits of sustainable business practices.

Businesses can access carbon footprint calculators for free at <https://www.carbonfootprint.com/calculator.aspx> and <https://www.carbonindependent.org/>.

In addition, resources relating to Carbon Capture Technology and Land Management Approaches for Net Zero are available on the Farming Connect website.

The Welsh Government funds NZIW in the sum of £0.15m pa to lead discussion and support industrial decarbonisation within Welsh industry. It supports the South Wales Industrial Cluster (SWIC) and led the funding bid for the North East

Wales Industrial Cluster (NEW-ID) and continues to provide support." And from the setting up "short to medium term priorities:

Enable industry to explore opportunities playing to Wales' existing strengths by:

- Becoming a world-leader in low-carbon manufacturing.

Support a Wales-wide hydrogen economy.

- Create Carbon Capture Utilisation and Storage (CCUS) and negative emissions technology opportunities for Welsh industry.
- Support future development of a Circular Economy in Wales.
- Stimulate and anchor investment to create and retain high-skilled jobs.
- Engage with regional and national stakeholders to support public and private investment.
- Drive the narrative for all business' role including SMEs on the Net Zero Journey including Waste, Energy and Emissions.

Research, Development and Innovation

Details of any funding during 2023/24 intended to resource Welsh Government's five priorities for research[development and innovation in Wales-including any funding aimed at ensuring Wales has a fair share of available research[development and innovation funding including any EU funding replacements

Wales Innovates, our Innovation Strategy supersedes the Welsh Government's five priorities for research, development and innovation in Wales. This strategy sets the vision of how innovation can deliver Programme for Government commitments across all portfolios. It adopts a mission-based approach, promoting multi-disciplinary collaboration.

The accompanying Delivery Plan sets out goals in the mission areas, actions we will take along with partners, short, medium and long-term measures. It shows how our ecosystem will transition from direct EU funding towards a more leveraged, competitive RD&I model.

These programmes aim to support the ecosystem of organisations in Wales to engage in research, development and innovation (RD&I) activities either within their own activities, or collaboratively across sectors and/or borders.

Financial levers include:

- Core funding such as QR.
- Direct grant support to organisations.
- Procurement opportunities through public sector challenge competitions.

- Skills initiatives such as Knowledge Transfer Partnerships (KTPs).
- Specialist consultancy support.
- International collaboration opportunities.
- Core funding for staff capacity within the NHS, academic institutions to deliver innovation.
- Funding to enable industry collaboration.

The aim is to create RD&I endeavours which deliver benefit to Welsh citizens, as well as wider benefits to the UK and internationally, attracting investment from UK Government, venture capitalists and world trading partners in lieu of European funding.

Welsh Government also published a collaborative plan with Innovate UK in October 2023. This plan aims to strengthen the relationship between the two organisations to deliver greater investment in Welsh RD&I. Following publication of the plan, officials have worked collaboratively to deliver initiatives such as the Launchpads in Net Zero and Agri-Tech, explore opportunities to boost projects through co-funding and share data. Welsh Government is now a delivery partner in the Innovate UK Business Growth Programme, focussed on internationalisation activities for businesses using the Enterprise Europe Network. Innovate UK provides Welsh Government with funding of £0.625m per annum, to cover overheads, secured until March 2026. Relationships are also developing with other UK Government Departments that distribute RD&I funding including the Intellectual Property Office, the Defence and Security Accelerator and the wider Research Councils that make up UKRI.

Details of the funding for research and innovation across the whole of Welsh Government

The estimates for R&D Spend from Welsh Government are estimates based on Welsh Treasury figures. They are total aggregate numbers and need to be verified and finalised before the full detail becomes clear. Data for 2023/24 will be assessed in early 2025, i.e. after the current budget has been completed. Historically, the levels of Welsh Government RD&I funding have been dominated by three departments. The 2022-23 committed value by all Welsh Government departments for RD&I was £193.9m.

Of the above Welsh Government £193.9 million total, it has been calculated that approximately 74% was awarded to the Welsh university sector. The remainder was committed mainly to businesses (through Innovation and Business and Regions) and health and care related activities (through Health and Care Research Wales). This is comparable to the UK total of non-business (i.e. public sector, charities, philanthropic) RD&I funding going to universities of 80% (Sir Paul Nurse RD&I Organisational Landscape Review).

Trade

Detail of implementing new arrangements and obligations under the UK-EU Trade and Cooperation Agreement

The Trade Policy team now leads on work relating to the UK EU Trade and Cooperation Agreement (TCA), in the Welsh Government. This includes engagement with UK Government on implementation of the agreement, such as our attendance at TCA committees. The team also provides advice across the organisation to ensure that we meet our TCA obligations. Businesses currently or planning on exporting to the EU are supported by our Welsh Government Export Team. The Trade Policy team provides advice to colleagues on exporting under the TCA when needed. This work is delivered by existing staff resource.

Detail of implementing the UK's new Border Target Operating Model[including the delivery of Wales's Border Control Posts]

The funding for the Borders programmes no longer sits within my portfolio responsibility within the Economy, Energy and Planning MEG. The responsibility for the Borders programmes now sits with the Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs.

Details of implementing post-Brexit UK trade agreements[including relevant legislation]

The Trade Policy team leads on engaging with UK government on the negotiation of new Free Trade Agreements (FTAs) and on the implementation of these agreements in Wales. To date the UK government has used primary legislation to implement the new agreements, in the form of the Trade Act (2021), the Trade (Australia and New Zealand) Act (2023) and the Trade (Comprehensive and Progressive Agreement for Trans Pacific Partnership) Act (2024). The first two of these acts created concurrent powers to make the changes needed to implement these deals in devolved areas, the last contained provisions to make these changes directly (which the Senedd partially consented to). As with work on the TCA, the Trade Policy team also engages with UK government on the implementation of the deals and our attendance at committees and works with business facing teams to ensure that businesses exporting to these markets can benefit from these deals if they wish. This is managed by the existing staff resource within the team.

The Financial allocations to deliver the Welsh Government's International Strategy's Export Action Plan for Wales[to include implications arising from the International Strategy's expiration in 2029]

We have allocated £3.752m overall to support the Export, Trade and Inward Investment. This budget includes £3.572m to deliver the Export Action Plan for Wales (a Programme for Government commitment) and £0.180m to support our efforts to promote Wales as a destination for inward investment, a key commitment in the International Strategy and the Economic Mission.

The £3.572m funding allocated to deliver the Plan ensures we have a range of export programmes delivered by our Welsh Government Export Team to support businesses on their export journey, from - inspiring businesses to export; building export capability; finding overseas customers; and accessing overseas markets. International trade continues to be impacted by the global trading landscape and wider geopolitical issues. The latest provisional export statistics show the value of goods exports for Wales was £18.6bn in the year ending June 2024, down £1.8 bn (9.0%) compared to the year ending June 2023. This demonstrates the importance of providing comprehensive support to Welsh businesses to develop to drive further growth in Welsh exports.

The First Minister has agreed that the International Strategy's lifespan will be extended beyond 2025, up to the end of this Senedd term. She will be setting out her delivery priorities for the remainder of the Strategy's term, including the extended time period, early next year.

Annexes

Annex A - Budget Expenditure Lines (BELs) – Economy, Energy and Planning MEG

Budget Expenditure Line (Revenue)		Plans as per 2024-25 Final Budget Restated September 2024	Baseline Adjustments for 2025-26	2025-26 Revised Baseline	Changes	2025-26 Draft Budget December 2024
		£000s	£000s	£000s	£000s	£000s
Business & Regional Economic Development		7,382	12	7,394	-2,000	5,394
Business & Regional Economic Development – Non-cash		0	0	0	700	700
Business Wales		22,426	11	22,437	0	22,437
Tech Valleys		1,758	2	1,760	0	1,760
Valleys Task Force		100	2	102	0	102
Export, Trade and Inward Investment		3,752	0	3,752	0	3,752
Action:	Business Wales / Entrepreneurship and Regional Economy	35,418	27	35,445	-1,300	34,145
Business Finance Funds - Non-cash		0	0	0	1,500	1,500
Action:	Total Development Bank Wales	0	0	0	1,500	1,500
Property Infrastructure		5,268	0	5,268	-3,000	2,268

Property Infrastructure – Non-cash	0	0	0	13,600	13,600
Public Sector Broadband Aggregation	11,500	6	11,506	1,000	12,506
ICT Infrastructure Operations	868	0	868	0	868
ICT Infrastructure Operations – Non-Cash	2,309	0	2,309	15	2,324
Action: Economic Infrastructure Development	19,945	6	19,951	11,615	31,566
Digital Strategy for Wales	4,290	44	4,334	102	4,436
Action: Total Delivering the Digital Strategy	4,290	44	4,334	102	4,436
Healthy Working Wales	100	0	100	0	100
Corporate Programmes & Services	512	1	513	0	513
Strategic Business Events and Communications	65	0	65	0	65
Action: Corporate Programmes	677	1	678	0	678
Apprenticeships	143,898	4	143,902	0	143,902
Action: Apprenticeships	143,898	4	143,902	0	143,902
Employability Including Young Persons Guarantee	102,101	448	102,549	7,308	109,857
Employability Including Young Persons Guarantee – Non-cash	1,400	0	1,400	930	2,330
Action: Employability Including Young Person Guarantee	103,501	448	103,949	8,238	112,187
Business Innovation	239	70	309	0	309
Action: Innovation	239	70	309	0	309
Science	932	6	938	0	938
Action: Science	932	6	938	0	938

Tourism	9,126	15	9,141	0	9,141
Tourism - Non-cash	0	0	0	20	20
Events Wales	3,665	4	3,669	1,500	5,169
Creative Wales	5,316	0	5,316	1,220	6,536
Creative Wales - Non-cash	0	0	0	10	10
Action: Promote and Protect Wales' Place in the World	18,107	19	18,126	2,750	20,876
Programme Support	1,707	54	1,761	0	1,761
Action: Managing European Funding	1,707	54	1,761	0	1,761
Cardiff International Airport	-3000	0	-3000	0	-3000
Action: Total Cardiff International Airport	-3,000	0	-3,000	0	-3,000
Statutory Registration Licensing Scheme	0	0	0	200	200
Action: Statutory Registration & Licensing Scheme	0	0	0	200	200
Green Energy	3,297	10	3,307	5,150	8,457
Ynni Cymru	2,470	0	2,470	0	2,470
Action: Energy Efficiency	5,767	10	5,777	5,150	10,927
Social Partnerships	892	8	900	0	900
Action: Social Partnership	892	8	900	0	900
Planning and Environment Decisions Wales	2,997	71	3,068	1,900	4,968
Planning and Regulation Expenditure	1,999	6	2,005	1,841	3,846
Action: Planning and Regulation	4,996	77	5,073	3,741	8,814
Arts Council of Wales	30,429	64	30,493	1,095	31,588

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Arts Council of Wales - Non cash		119	0	119	0	119
Amgueddfa Cymru - National Museums of Wales		25,504	276	25,780	920	26,700
Amgueddfa Cymru - National Museums of Wales - Non cash		2,400	0	2,400	900	3,300
National Library of Wales		11,093	129	11,222	400	11,622
National Library of Wales - Non cash		1,250	0	1,250	1,118	2,368
Support for Local Culture and Sport		6,668	12	6,680	1,200	7,880
Broadcasting and Media		1,100	0	1,100	-1,100	0
Action:	Support for Culture and the Arts	78,563	481	79,044	4,533	83,577
Cadw		8,547	468	9,015	430	9,445
Cadw - Non cash		5,480	0	5,480	0	5,480
National Botanic Garden of Wales		525	0	525	19	544
Royal Commission on the Ancient and Historical Monuments for Wales		1,656	57	1,713	60	1,773
Royal Commission on the Ancient and Historical Monuments for Wales - Non cash		134	0	134	0	134
Action:	Support the Historic Environment	16,342	525	16,867	509	17,376
Sports Wales		20,978	65	21,043	755	21,798
Sports Wales – Non cash		779	0	779	0	779
Action:	Sports and Physical Activity	21,757	65	21,822	755	22,577
MEG:	ECONOMY, ENERGY AND PLANNING	454,031	1,845	455,876	37,793	493,669

Budget Expenditure Line (Capital)		Plans as per 2024-25 Final Budget Restated September 2024	Baseline Adjustments for 2025-26	2025-26 Revised Baseline	Changes	2025-26 Draft Budget December 2024
		£000s	£000s	£000s	£000s	£000s
Business & Regional Economic Development		64,650	-36,000	28,650	28,000	56,650
Business & Regional Economic Development - Repayment		-2,389	2,389	0	-1,157	-1,157
Business Wales		18,500	0	18,500	-18,500	0
Tech Valleys		5,000	0	5,000	0	5,000
Action:	Business Wales / Entrepreneurship and Regional Economy	85,761	-33,611	52,150	8,343	60,493
Business Finance Funds		15,000	-15,000	0	9,500	9,500
Business Finance Funds – Repayment		-33,900	33,900	0	-11,000	-11,000
Action:	Development Bank of Wales	-18,900	18,900	0	-1,500	-1,500
Property Infrastructure		10,000	0	10,000	23,379	33,379
Property Infrastructure - Repayment		-365	365	0	-365	-365
ICT Infrastructure operations		27,700	-7,700	20,000	0	20,000
Action:	Economic Infrastructure Development	37,335	-7335	30,000	23,014	53,014
Employability Including Young Persons Guarantee		2,000	0	2,000	0	2,000
Action:	Employability Including Young Persons Guarantee	2,000	0	2,000	0	2,000

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Business Innovation		10,000	0	10,000	0	10,000
Action:	Innovation	10,000	0	10,000	0	10,000
Science		5,000	0	5,000	0	5,000
Action:	Science	5,000	0	5,000	0	5,000
Tourism		5,000	0	5,000	1,000	6,000
Creative		5,000	0	5,000	2,000	7,000
Action:	Promote and Protect Wales' Place in the World	10,000	0	10,000	3,000	13,000
Cardiff International Airport		1,783	0	1,783	0	1,783
Action:	Cardiff International Airport	1,783	0	1,783	0	1,783
Statutory Registration & Licensing Scheme		0	0	0	700	700
Action:	Statutory Registration & Licensing Scheme	0	0	0	700	700
City and Growth Deals		22,000	0	22,000	88,477	110,477
Action:	City and Growth Deals	22,000	0	22,000	88,477	110,477
Green Energy		17,200	-4,800	12,400	0	12,400
Ynni Cymru		10,000	0	10,000	0	10,000
Action:	Energy Efficiency	27,200	-4,800	22,400	0	22,400
Arts Council of Wales		400	0	400	0	400
Amgueddfa Cymru - National Museums of Wales		5,000	0	5,000	0	5,000
National Library of Wales		2,000	0	2,000	0	2,000
Support for Local Culture and Sport		24,700	0	24,700	8,100	32,800

Action:	Support for Culture and the Arts	32,100	0	32,100	8,100	40,200
Cadw		10,000	0	10,000	6,321	16,321
National Botanic Garden of Wales		200	0	200	0	200
Royal Commission on the Ancient and Historical Monuments for Wales		50	0	50	0	50
Action:	Support the Historic Environment	10,250	0	10,250	6,321	16,571
Sports Wales		8,016	0	8,016	2000	10,016
Sports Capital Loan Scheme		-1,231	1,231	0	-500	-500
Action:	Sports and Physical Activity	6,785	1,231	8,016	1,500	9,516
MEG:	ECONOMY, ENERGY AND PLANNING	231,314	-25,615	205,699	137,955	343,654

Annex B – Action Level Commentary – Economy, Energy and Planning MEG¹

Resource

Business Wales –Entrepreneurship and Regional Economy Action

There has been a net reduction to the Action of £1.3m from the 2025-26 revised baseline, taking the total funding for 2025-26 to £34.145m. The net reduction predominantly relates to reprioritisation of funding across the MEG to provide additional investment to our skills programmes. A reduction of £2m from the Business and Regional Economic Development BEL 3751, due to a potential change in approach of the delivery of the Arfor programme. Discussions are taking place with partners regarding the future of the programme and the opportunities for mainstreaming the learning from it. An additional £0.700m has been allocated to the Business and Regional Economic Development (non-cash) BEL 3751 which includes costs associated with leases accounted for under IFRS16, adopted from 1 April 2022 and previously managed at Supplementary Budgets.

Business & Regional Economic Development BEL

Funding within this BEL supports partnerships, engagement and initiatives to progress the ambitions in Economic Mission The [Mission](#), and employability for inclusive growth and building the economy for long term sustainability.

Business Wales BEL

- The budget supports youth entrepreneurship and the young person's guarantee, start-ups, micro-businesses, SMEs, disability champions, social enterprise and responsible business practices. The services support those with hidden barriers and targeted support will continue to be delivered to support those individuals, such as female

¹ Actions: Employment and Skills, Apprenticeships, Cardiff International Airport, Energy Efficiency, Social Partnership, Support for the Culture and Arts, Support for the Historic Environment, Sports and Physical Activity are all covered under other evidence papers provided to relevant Committees.

and youth entrepreneurs and Black, Asian and minority ethnic groups.

- The budget also includes provision of £1m for the foundational economy enabling jobs at the heart of local communities across sectors such as care and health services; food; housing; energy; tourism; construction and retail.

Tech Valleys BEL

- Tech Valleys is a Programme for Government commitment over ten years (to 2028) to create 1,500 sustainable jobs, increase average weekly wage and GVA focused on Blaenau Gwent by capitalising on opportunities arising from the fourth industrial revolution, encouraging the adoption of digital technologies, and developing high value advanced technologies supporting cutting edge industries such as 5G, battery technology and research into automotive vehicles. The impact of this investment is reaching across all the South Wales Valleys.

Valleys Task Force BEL

- Funding maintains an annual revenue budget of £0.1m to support the capital programme to deliver Our Valleys Our Future programme.

Export, Trade and Inward Investment BEL

- Enables funding for the delivery of the Export Action Plan for Wales, to drive long term growth in Welsh exports; and activity to support the promotion of Wales as a location for inward investment.

Development Bank Wales Action

Business Finance Funds - Non-cash BEL

- Additional funding of £1.5m in 2025-26 for depreciation and amortisation costs (£1m) and a further £0.5m for leased asset depreciation for leases accounted for under IFRS16.

Economic Infrastructure Development Action

The Action has seen a net increase of £11.615m compared to the 2025-26 revised baseline. The increase is predominantly due to an increase of £13.6m to the Property Infrastructure – Non-cash BEL and £0.015m to the ICT Infrastructure Operations - Non Cash BEL which includes costs associated with leases accounted for under IFRS 16. Additional funding of £1m has been allocated to the Public Sector Broadband Aggregation BEL, this will enable a managed exit route to the current PSBA contract to be prepared. A reduction of £3m has been applied to the Property Infrastructure BEL which includes adjustments due to the reclassification of budgets associated with the accounting standard for leases (IFRS16).

Property Infrastructure BEL

- Funding in this BEL supports the supply of employment sites and premises to meet the needs of businesses and secure competitive advantage in attracting, retaining and growing businesses in Wales. The revenue budget ensures that Welsh Ministers meet their legal and statutory obligations as landlords and landowners in managing the Economic development property portfolio, including the management of St Athan and the unitary payments under the Lloyd George Avenue PFI scheme. The budget is supplemented by other income, primarily rental receipts and profits from disposing of land and buildings.

Public Sector Broadband Aggregation BEL

- Funding in this BEL is for the PSBA Contract which underpins the digital connectivity service used by over 120 public sector organisations across Wales. The business critical PSBA network service has over 5,000 connections and was established in 2007. An additional £1m has been allocated to this BEL as part of the 2025-26 budget.

ICT Infrastructure Operations BEL

- Funding in this BEL supports the delivery of Digital Infrastructure throughout Wales. The revenue budget also ensures that Welsh Ministers can review and monitor Digital policy decisions made by the UK Government, to ensure that Welsh interests are protected.

ICT Infrastructure Operations – Non-Cash BEL

- Funding in this BEL is for the depreciation charges of the Welsh Government owned Fibrespeed network in North Wales. The additional £0.015m relates to the costs associated with leases accounted for under IFRS 16.

Delivering the Digital Strategy Action

There has been an increase to the Action of £0.102m from the 2025-26 revised baseline taking the total funding for the Action to £4.436m. The increase relates to an increase to support the public sector pay award for Centre for Digital Public Services.

Digital Strategy for Wales BEL

- Funding within this BEL relates to the budget for the Centre for Digital Public Services (CDPS) which underpins Mission 1 of the Digital Strategy for Wales. The CDPS is responsible for raising digital capability across the public sector, delivering standards and guidance and working with other organisations to deliver digital transformation.

Corporate Programmes Action

There have been no changes to the Action compared to the 2025-26 revised baseline. The total funding for the Action has been maintained at £0.678m for financial year 2025-26.

Healthy Working Wales BEL

- The Healthy Working Wales budget (HWW) delivers the national programme which supports employers to create healthier work and workplaces for the benefit of their employees and the wider community. HWW is jointly funded by the Health and Social Services

MEG and the Economy, Energy and Planning MEG. Officials from both departments work closely to maximise the health and economic benefits of the programme. £0.100m has been maintained in 2025-26 to support this activity.

Corporate Programmes & Services BEL

- The Corporate Programmes annual budget primarily funds the business customer relationship management system, which was vital during the pandemic to enable the Welsh Government to process Economic Resilience Fund (ERF) grants. The budget also has a small provision for evaluations. The budget has been maintained at £0.513m compared to the 2025-26 revised baseline.

Strategic Business Events and Communications BEL

- The Communications budget of £0.065m each year supports business events and strategic engagement.

Innovation Action

The budget for the action stands at £0.309m for 2025-26.

Business Innovation BEL

- The BEL funds the financial support for Research, Development & Innovation (R&DI) schemes, including the SMART Flexible Innovation Support scheme, Small Business Research Initiative (SBRI) scheme and Collaborative Research Innovation Support Programme (CRISP). Despite the cessation of EU income, our priorities continue to be:
 - Deployment of research, development and innovation capacity to support our Programme for Government, focusing on economic growth,
 - Supporting efforts to tackle the effect of climate change, drive environmental recovery and decarbonisation;
 - Supporting innovation in Health and Life Sciences, alongside Health and Care Innovation budgets;

- Growth and skill development in the established research and innovation base – delete and replace with. Supporting cross-border and cross-sector collaboration across the research and innovation base.

Science Action

There has been no change to the Action and funding remains at £0.938m when compared to the revised baseline 2025-26.

Science BEL

- A number of STEM enrichment programmes are being considered. This includes support of a 3-year pilot to incentivise parents and carers of primary school children to improve their maths and numeracy skills. This is part of a wider initiative, in collaboration with education colleagues, to deliver the objective of engaging with parents and carers on the Welsh Government's Maths and Numeracy Plan. This budget also contributes to Welsh Government's Office for Science promotion and engagement activities including stakeholder engagement seminars, public attitude Science surveys, British Science Week, Science in the Senedd, CREST Awards, LSW Medals, commissioned science performance reviews and promotion of diversity & gender equality in R & I and Science, Technology, Engineering and Maths (STEM).

Promote and Protect Wales-Place in the World Action

There has been an increase to the Action of £2.750m from the 2025-26 revised baseline, taking the total funding per annum to £20.876m. The net increase relates to an increase of funding of £1.5m for the Events Wales BEL which will support the major events we have planned in 2027 and 2028 and will enable us to maximise the benefits and legacies of these events, particularly in relation to the four key priorities for the Welsh Government. Additional funding has been allocated to the Tourism - Non-cash BEL (£0.020m) and Creative Wales Non-cash BEL (£0.010m) in relation to depreciation of fixed assets. The Creative Wales BEL has been increased by £1.220m compared to the revised 2025-26 baseline which reflects additional support to the Books Council (£0.120m) following cuts that were made as part of the last budget round and a within MEG transfer of £1.1m into the BEL from the Broadcasting and Media BEL to streamline funding within the MEG.

Tourism BEL

-
- Funding supports the tourism development and marketing investment which is aligned to our overall strategy - **Welcome to Wales-Priorities for the Visitor Economy 2020-2025** - to grow tourism for the good of Wales, delivering economic, environmental, and social benefits.

Tourism Non-cash BEL

- Funding of £0.020m has been allocated to this BEL for fixed asset depreciation costs.

Events Wales BEL

- An additional £1.5m has been allocated to this BEL in 2025-26 to support are events programmes. The total funding of the BEL in 2025-26 is £5.169m

In line with the new **The National Events Strategy for Wales 2022 to 2030 | GOV.WALES** the annual budget will continue to support Wales-grown sports, arts and business events as well as looking to the opportunities offered by international events, such as the joint UK and Ireland 2028 Euros bid. We will invest to support events that deliver economic, social and cultural benefits and legacies in line with the new strategy.

We will continue to aim for a full geographic and seasonal spread of events around Wales, including supporting development of event-relevant infrastructure, and support the growth of a strong and sustainable sector in Wales by investing in skills and supply chain development.

Creative Wales BEL

- Funding within this BEL has increased by £1.220m in 2025-26 compared to the 2025-26 revised baseline. This is due to a within MEC transfer from the Broadcasting and Media BEL (£1.1m) and £0.120m to support the Books council.

In line with the Priority themes (as set out in 2020), funding supports the priority sector development activities and marketing investment to position Wales as the best place for creativity to thrive by driving growth across the creative industries, building on existing success and developing new talent and skills.

Creative Wales will support the development of skills, raise standards, and promote diversity and equality across the sector, work to remove barriers to entry and increase opportunities to work in the sector, simplify funding mechanisms and take a lead role in marketing and promoting the creative industries in Wales to the world.

Creative Wales Non-cash BEL

- Funding within this BEL for 2025-26 stands at £0.010m, for fixed asset depreciation costs.

Managing European Funding Action

There has been no change to this Action from the revised 2025-26 baseline. The total funding per annum is maintained at £1.761m.

Programme Support BEL

- The annual budget of £1.761m delivers the Wales European Funding Office Technical Assistance EU funded operations.

Statutory Registration⁵ Licensing Scheme Action

There has been an increase of £0.2m to the Action when compared to the revised baseline for 2025-26. Funding allocated in 2025-26 is to support the development of the registration system, which is being led by the Welsh Revenue Authority (WRA) as part of the Visitor Levy Bill.

Statutory Registration & Licensing Registration Scheme BEL

- The annual budget of £0.2m will support the development of the registration system, which is being led by the Welsh Revenue Authority (WRA) as part of the Visitor Levy Bill.

Capital

Business Wales –Entrepreneurship and Regional Economy Action

There has been a reduction of £18.5m from the Business Wales BEL due to a reallocation of funding from the Business Wales BEL to the Property BEL within the Economy, Energy and Planning MEG. This funding was used in 2024-25 to provide a one-off grant scheme to support businesses in the retail, leisure and hospitality sectors, helping businesses strengthen their future trading position by increasing profitability through investment in renewable energy technology, improvements to the fabric of their premises, and upgrades to systems or machinery to reduce energy use. The scheme was developed to mitigate risks associated with reducing NDR relief for Retail, Leisure and Hospitality from 70% to 40% in 2024-25. The budget in 2024-25 met all demand coming forward via application and the extended open window for applicants. As a result, and with the position on NDR relief staying static at 40% this year, no further grant scheme is planned and the budget has been reallocated. The reprofiled budget will be utilised to meet Jobs and Green Growth priorities notably bringing investment ready sites and properties to market for attracting investment. The total funding per annum for the Action is £60.493m.

Business & Regional Economic Development BEL

- Funding supports the capital funding available for the Economy Futures Fund and other strategic developments in supporting businesses. The Development Bank of Wales (DBW) also improves the ability of businesses in Wales to access finance and supports the creation and safeguarding of jobs with designated Funds which aim to unlock potential in the economy of Wales by increasing the provision of sustainable, effective finance in the market.

Business & Regional Economic Development – Repayment BEL

- Repayable Funding supports the capital funding available for the Economy Futures Fund and other strategic developments in supporting businesses.

Tech Valleys BEL

- Tech Valleys is a Programme for Government commitment over ten years (to 2028) to create 1,500 sustainable jobs, increase average weekly wage and GVA focused on Blaenau Gwent by capitalising on opportunities arising from the fourth industrial revolution, encouraging the adoption of digital technologies, and developing high value advanced technologies supporting cutting edge industries such as 5G, battery technology and research into automotive vehicles. The impact of this investment is reaching across all the South Wales Valleys.

Development Bank of Wales Action

There has been a net reduction of £1.5m from the revised 2025-26 baseline. An additional £9.5m capital financial transaction funding has been allocated to the Business Finance Funds BEL in this budget to support the following:

£4.5m will be invested in Green Business Loans to support SMEs and medium-sized businesses to encourage investment in energy efficiency enhancements and decarbonisation projects.

To continue to support established and start-up micro businesses, small and medium enterprises, and social enterprises we are allocating a further £2m to the Wales Micro Loan Fund.

We are allocating £3m to continue our support for Welsh businesses by providing a source of alternative finance through angel investment. The funding will encourage new business creation and economic growth in Wales.

A reduction of £11m to the Business Finance Funds – Repayment BEL is due to the latest financial transaction repayments due. The total funding allocated is £-1.5m in 2025-26.

Business Finance Funds BEL

- Funding within this BEL is to support The Development Bank of Wales (DBW) which improves the ability of businesses in Wales to access finance and supports the creation and safeguarding of jobs with designated Funds which aim to unlock potential in the economy of Wales by increasing the provision of sustainable, effective finance in the market. The Development Bank of Wales is well placed to help

Welsh businesses through, and to recover from, the pandemic and access finance they need to start up, strengthen and grow. It can provide loans from £0.001m right up to £10m, as well as mezzanine, and equity funding; and helps businesses find the right finance partner to leverage in private finance with its own gap finance when necessary.

Business Finance Funds – Repayment BEL

- A repayment budget of £11m has been allocated as part of the 2025-26 budget. The repayments relate to agreed repayment profiles in respect of loans issued in prior years

Economic Infrastructure Development Action

There has been a net increase of £23.014m compared to the 2025-26 revised baseline. The additional allocation of £23.379m to the Property Infrastructure BEL is due to a transfer in from the Business Wales BEL (£18.5m) and additional allocation of £4.5m to support the delivery of property infrastructure to support jobs and green growth. £0.379m has also been allocated for costs associated with leases accounted for under IFRS 16. A reduction of £0.365m has been applied to the Property Infrastructure – Repayment BEL which is due to the capital financial transactions repayments. The total funding for the Action stands at £53.014m.

Property Infrastructure BEL

- The capital budget is supplemented by receipts from land and property sales. This enables delivery of modern sites and buildings that are capable of meeting companies' timescales for occupation to provide Wales with a real competitive advantage over other locations. All direct build commercial projects undertaken will aim to achieve a Net Zero carbon in use standard and the Welsh Government's Sustainable Buildings Policy will apply to projects delivered in partnership with others.

Property Infrastructure – Repayment BEL

- Property Infrastructure financial transaction repayments began in 2022-23 and will continue until 2038-39.
- Repayments relate to £8.95m funding issued between 2015-16 and 2018-19. Funding of £2.750m was issued under the Property Development Fund £2.75m in 2015-16 and £6.2m was awarded to Swansea Council for retail and leisure purposes (£5.5m in 2017-18 and £0.7m in 2018-19).

ICT Infrastructure Operations BEL

- The capital budget supports schemes to build and deliver digital infrastructure to connect homes and businesses across Wales. Whilst the responsibility for addressing telecommunications issues in Wales is not devolved to Welsh Ministers, support provided by the Welsh Government means that homes and business are able to access fast and reliable broadband as quickly as possible.

Innovation Action

There has been no change to the capital funding allocated within this Action compared to the 2025-26 revised baseline. The total funding is £10m in 2025-26.

Business Innovation BEL

- The BEL funds the financial support for Research, Development & Innovation (R&DI) schemes, including the SMART Flexible Innovation Support scheme, Small Business Research Initiative (SBRI) scheme and Collaborative Research Innovation Support Programme (CRISP). Despite the cessation of EU income, our priorities continue to be:
 - Deployment of research, development and innovation capacity to support our Programme for Government, focusing on economic growth,
 - Supporting efforts to tackle the effect of climate change, drive environmental recovery and decarbonisation;
 - Supporting innovation in Health and Life Sciences, alongside Health and Care Innovation budgets;

- Growth and skill development in the established research and innovation base – delete and replace with. Supporting cross-border and cross-sector collaboration across the research and innovation base.

Science Action

There has been no change from the revised 2025-26 baseline. Funding has been maintained at £5m for financial year 2025-26.

Science BEL

- The ARTHUR project has been assessing the feasibility of building and operating a new medical radioisotope production facility in North Wales (Advanced Radioisotopes Technology for Health Utility Reactor ARTHUR). The facility would produce medical radioisotopes, used in the diagnosis and treatment of cancers and other diseases, from its own Research Reactor and supply them to Health Service providers (principally the NHS) across the UK and internationally. Discussions of potential opportunities for development of this facility are still in progress but the aim is to create a safe and secure supply of medical radioisotopes for the National Health Service at a time (2030 onwards) when closure of existing European production facilities will put in jeopardy the world supply of medical radioisotopes and hence disease diagnostics and therapies. The capital budget will also be used potentially towards the set-up of a pilot Technology Transfer Office, possibly in collaboration with Medr as a new means of incentivising technology transfer from research towards societal and economic benefit, something that has not been performed well in the past.

Promote and Protect Wales-Place in the World Action

There has been an increase of £3m to this Action compared to the 2025-26 revised baseline. £1m relates to the Tourism BEL and £2m to the Creative Wales BEL which will support our **events and tourism** industries. The total funding for the Action for financial year 2025-26 stands at £13m.

Tourism BEL

- An increase of £1m, providing planned capital investment of £6m in strategic tourism projects, a Brilliant Basics fund for small scale tourism infrastructure improvements, and a weather-proofing fund to respond to concerns raised with us by visitor attractions about the impact of poor weather on their businesses. This allocation is available alongside the £50m Wales Tourism Investment Fund, which is delivered in partnership with the Development Bank of Wales.

Creative Wales BEL

- The planned annual capital investment of £7m to ensure those key sector development projects supported in 2025-26 are delivered successfully and to continue to provide funding to new projects including screen, digital, music, studio infrastructure, that deliver Creative Wales priorities and support continued growth of the creative industries in Wales during the next financial year.

Statutory Registration⁵ Licensing Scheme Action

There has been an increase of £0.7m to the Action when compared to the revised baseline for 2025-26.

Statutory Registration & Licensing Scheme BEL

- The annual budget of £0.7m will support the development of the registration system, which is being led by the Welsh Revenue Authority (WRA) as part of the Visitor Levy Bill.

City and Growth Deals Action

There has been an increase of £88.477m to the Action when compared to the revised baseline for 2025-26. The increase is due to additional funding received from HMT to support our city and growth deals. The Welsh Government contribution is £22m. Total funding for the Action is £110.5m.

City and Growth Deals BEL

- There are four city and regional growth deals in Wales, Cardiff Capital Region (CCR) City Deal; Swansea Bay City Region City Deal; North Wales Growth Deal and Mid Wales Growth Deal. In total, the UK Government has committed to invest £791m in the four deals over 10

15 years. The Welsh Government has committed to invest over £795m over 15-20 years.

- Total funding for the BEL for financial year 2025-26 is £110.5m.

Welsh Government



Economy, Trade and Rural Affairs Committee

Welsh Government Draft Budget Scrutiny 2025-26

08/01/2025

Background

The Draft Budget includes spending plans for 2025-26. This paper provides evidence to the Committee on the future programme budget proposals in relation to the budgets within the Rural Affairs & OCVO portfolio within the Climate Change & Rural Affairs Main Expenditure Group (MEG) as outlined in the Draft Budget which was published on 10 December 2024.

Annex A provides a breakdown of the relevant Draft Budget figures by Action and Budget Expenditure Line (BEL).

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1. Rural Affairs Budget Allocations

Summary of Budget Changes 2025-26

1. The tables below provide an overview of the plans summarised at a high level by business area for the Rural Affairs portfolio published in the Draft Budget 2025-26.

Resource

2. In 2025-26 the Resource budget increases by £7.810 m against the 2025-26 revised baseline. To note, the revised baseline includes allocations in 24-25 for SCAPE and public sector pay gap. The total resource budget is summarised in Table 1 below:

Overview of the Rural Affairs Resource Budget			£'000		
Action	BEL No.	BEL Description	2025-26 Revised Baseline	Change £'000	2025-26 Draft Budget December 2024
Strategic Evidence, Borders and Intergovernmental Relations	2816	Strategic Evidence, Monitoring, Borders & Intergovernmental Relations	2,639	-	2,639
Develop and Deliver Overarching Policy and Programmes on Agriculture	2829	Agriculture Strategy	500	-	500
	2831	Local Authority Framework Funding	100	- 100	-
	2860	Agriculture Policy & Evidence, Delivery & Engagement	350	5,890	6,240
	2861	County Parish Holdings Project	500	- 500	-
	2861	County Parish Holdings Project - Non cash	594	- 594	-
	2862	EID Cymru	2,659	- 2,659	-
	2863	Livestock Identification	1,647	- 1,647	-
	2864	Technical Advice Services	358	- 358	-
	2866	Commons Act	433	- 433	-
	2240	Research & Evaluation	520	- 520	-

Basic Payments & Administration	2787	Basic Payment Scheme	238,000	-	238,000
	2790	RPW Administration	3,694	100	3,794
	2790	RPW Administration - Non cash	9,649	594	10,243
Rural Investments	2833	Rural Investment Schemes	44,720	5,500	50,220
Welsh Government Rural Communities: Delivering the Programmes Within the Rural Development Plan 2014-20	2949	Rural Development Plan 2014-20	1,500	-	1,500
Fisheries and Aquaculture Including the Enforcement of Welsh Fisheries	2870	Fisheries	3,605	-	3,605
	2870	Fisheries - Non cash	574	-	574
Developing and Marketing Welsh Food and Drink	2970	Promoting Welsh Food and Industry Development	4,790	570	5,360
Support and Delivery of the Animal Health and Welfare Programme / Strategy	2270	Animal Health & Welfare Framework	1,108	802	1,910
Management and Delivery of TB Eradication and Other Endemic Diseases	2271	Animal and Plant Health Agency	18,281	2,019	20,300
	2272	TB Slaughter Payments Costs & Receipts	13,810	502	14,312
	2273	TB Eradication	8,310	1,000	9,310
Border Controls	3730	Border Controls	6,456	- 2,356	4,100
TOTAL Resource			364,797	7,810	372,607

Capital

3. The capital budget allocation of £108m an increase of £48.157m for 2025-26.

The total capital budget is summarised in Table 2 below

Overview of the Rural Affairs Capital Budget			£'000		
Action	BEL No.	BEL Description	2025-26 Revised Baseline	Change £'000	2025-26 Draft Budget December 2024
Develop and Deliver Overarching Policy and Programmes on Agriculture, Food and Marine	2860	Agriculture Policy & Evidence, Delivery & Engagement	1,000	2,050	3,050
Basic Payments & Administration	2789	Rural Payments ICT	6,000	2,200	8,200
Rural Investments	2833	Rural Investment Schemes	53,000	13,952	66,952
Fisheries and Aquaculture Including the Enforcement of Welsh Fisheries	2870	Fisheries	-	1,000	1,000
Border Controls	3730	Border Controls	-	28,955	28,955
TOTAL Capital			60,000	48,157	108,157

Prioritisation of Budget

4. My aim is to ensure our natural resources are managed sustainable for future generations. To achieve this, the budget allows me to drive forward action on the following priorities:
 - Tackling the climate emergency to build a fairer, safer future and secure green jobs.
 - Taking action to protect and restore nature in Wales and to connect people to the natural world.
 - Creating a sustainable future for Welsh food, fisheries and farming.
 - Improving animal health and welfare, thereby also protecting the health and wellbeing of people and the environment and underpinning our trade.
 - Improving the health and wellbeing of our communities by cutting waste and pollution, and using regulation to drive innovation, create markets and keep people safe.
5. I have prioritised supporting the agriculture sector's transition to the Sustainable Farming Scheme (SFS), due to be introduced in 2026 by maintaining the Basic Payment Scheme (BPS) ceiling at £238m.. I am committed to continuing this financial support for farmers as they are the heart of communities right across Wales, recognising the agriculture sector is undergoing significant changes, and so Welsh Ministers continue to safeguard the BPS budget to provide continuity of support as transition to life beyond BPS continues.
6. I am also providing additional revenue and capital funding of up to £118m to support Preparatory Phase for 2025 and wider rural investment schemes such as the;
 - Nutrient Management Investment scheme (NMIS) which provides financial support to improve the economic and environmental performance of farms through infrastructure investment such as equipment and machinery to address the impact of on-farm pollution.

- Small Grant Yard covering scheme which provides support for on farm infrastructure improvements and a range of small grants provide opportunity for farmers to invest in equipment or create new or maintain existing features such as hedgerows, stonewalls etc.
 - Habitat Wales Scheme to support the management of important habitats across Wales and tackle the nature emergency.
 - Woodland Creation and Planning Grant to provide investment in trees to support both carbon sequestration and a wide range of other environmental benefits.
 - A new Agri-Food Tech challenge fund throughout the wider supply-chain that will support innovation and research to help develop solutions to issues across the whole supply chain.
 - Strategic Innovation Scheme to support technical development within the food and drink industry in Wales through activities such as the Helix Programme.
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7. Through the Food and Drink Budgets, I have also invested an additional £0.5m to Blascymru/Taste Wales brokerage support to promote exports and inward investment into Wales.
8. During the Blas Cymru Brokerage 2023, Wales welcomed 276 trade buyers, including international buyers from 11 countries, and 122 Welsh food and drink businesses including 15 Rising Stars. Some 2100 scheduled trade meetings between trade buyers and Welsh food and drink businesses took place, generating around £38 million in secured and potential sales. Some 203 new products were developed for retail and foodservice. The next brokerage will take place on 22-23 October 2025 at the ICCW, with increased targets for participation and sales.
9. I have allocated additional funding to support initiatives across the CVO's portfolio. This includes additional investment to continue our shared ambitions for high standards of animal health and welfare in Wales, the bovine TB eradication programme and our ongoing work to combat anti-microbial resistance.
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Monitoring of Budgets

10. All budgets continue to be monitored and challenged on a monthly basis, to consider the latest forecasts and budget movements as necessary. I receive regular financial updates on the forecasts for the MEG to ensure that budgets remain on track to deliver my priorities. We maintain very close monitoring to ensure funding is being invested where best needed whilst supporting our priorities.

Implications for the draft budget relating to recovery from the Covid-19 pandemic

11. The whole food chain continues to struggle to fill job vacancies, from seasonal labour requirements previously filled with migrant workers, in agriculture and food manufacturing to permanent vacancies at all skill levels across food manufacturing and hospitality sectors. Food manufacturers have consolidated their product ranges and shortened working weeks in response to the labour crisis. The UK has a significant problem where large numbers in the 50+ age group left the workforce during the Covid pandemic and the wider labour pool is of major significance to economic recovery.

EU transition following the UK's withdrawal from the EU

12. The UK's exit from the European Union continues to impact on Wales, resulting in critical new areas of work for the Welsh Government. Some were expected, such as preparing our borders, however, the impact of other changes across the portfolio has still to be determined. The context is still evolving.
13. We need to continue to adapt and respond to these new ways of working for Wales both in terms of our role in the UK and our engagement with the EU and other trading nations. This requires the maintenance of effective inter-government communications. For example I am part of a formal Inter-Ministerial group with the UK Government (Defra), the Scottish Government and the Northern Ireland Executive, in which we now have renewed and agreed principles for working across the four nations including discussing matters of differences to agree how we work together to further respective policy aims.

14. This work is supported by a series of common frameworks which are being updated following scrutiny by relevant committees. These set arrangements for how we come together across the UK in subject areas. We expect these to be finalised in 2025. Furthermore, the machinery underpinning the EU TCA is still developing and requires consideration and effort to ensure we continue to engage effectively. This requires an understanding of the evolving trading environment and any potential impacts, not only in terms of the EU TCA but also considering new trade agreements with other nations.

Programme for Government 2021-2026

15. The budget allocations for the Climate Change and Rural Affairs MEG ensures that it prioritises my Programme for Government commitments, not only in the Rural Affairs portfolio but across Government. For example, many of the Climate Change specific Programme for Government commitments are supported by investment from the CCRA MEG. For example, the Nutrient Management Investment scheme supports investments which enhance on-farm nutrient management, protect, and enhance water, soil and air quality, improve on-farm resource efficiencies, technical performance, and the use of technology to improve management decisions.
16. The Community Food Strategy has the potential to deliver many benefits which advance the Future Generations Well-being goals. While 'food' is the common factor, the societal benefits could be wide ranging. The Strategy will enable and encourage stakeholders and partners to play a full part in improving the focus on food matters, and planning and delivery across public bodies and public services boards where food is relevant. Structures to advance community food are already in place, with Welsh Government having pump primed Local Food Partnerships through a one-off grant to establish them across Wales.

Preventative Spend

17. These budget proposals reflect my continuing commitment to protect and prioritise investment that supports preventative measures as far as possible. Value for money and clarity over how we use our resources effectively is central to delivering our priorities. Once expenditure is planned in line with priorities, we have well-established delivery and monitoring processes in place to ensure that resources are used effectively for the purposes intended.

18. I have also prioritised funding for Rural Investment schemes that are preventative such as targeting agri-environment improvements through the Habitat Wales Scheme; improved productivity and viability of businesses and targeted investment grants, the creation and restoration of woodland; and many other schemes being delivered. The Food Business Accelerator Scheme offers capital grants to support sustainable growth in food manufacturing and productivity improvements. while the Sustainable Innovation Scheme. The AgriFood technology Challenge Fund will
19. Rural Investment Schemes capital funding programmes are designed in such a way to promote sustainable practices and drive reduction in carbon emissions (and therefore work to help tackle the climate emergency). For example, the Growing for the Environment scheme supports the growing and utilisation of crops, which can result in improvements in the environmental performance of a farm business. The scheme objectives are to support farmers to reduce carbon and greenhouse gas emissions, adapt to climate change and build greater resilience into farm businesses, improve water quality and reduce flood risks, and contribute towards a reversal in the decline of Wales' native biodiversity.
20. The significant funding of over £118m will support our farmers, foresters, land managers and food businesses to promote the sustainable production of food and support the rural economy on the path to a net zero, nature positive Wales. Funding includes a focus on woodland and forestry, on farm environmental improvements, sustainable land management, productivity and diversification. We are also targeting landscape scale land management and food and farming supply chains, in preparation for the Sustainable Farming Scheme from 2026.
21. High animal health and welfare standards help protect against disease outbreaks. Healthy animals help protect the productivity and production levels of farmers, reduce capital losses, minimise negative trade impacts as well as reducing pollution and CO2 emissions. For the economy, there can be huge economic impacts associated with a disease outbreak. For example, the 2001 Foot and Mouth outbreak impacts on agriculture, the food industry and the public sector in the UK were estimated at £3.1 billion
22. TB related budgets are invest to save budgets. Failure to invest in eradication of TB will incur a corresponding increase in compensation costs as a result of infected animals. I have been able to invest an additional £1m in 25-26 which helps ease pressures reported through this current financial year.

Evidence-based policy making

23. The evidence used is made up of evidenced based policy commitments in the Programme for Government aimed at tackling the Climate and nature emergencies.
24. Evidence received through the experiences over many years in delivering the EU Common Agricultural Policy support schemes, including the Rural Development Programmes, which ended in December 2023.
25. Since our departure from the EU, we have revised how we monitor, report and evaluate Welsh Government agricultural support. The Agriculture (Wales) Act 2023, sets out a reporting framework and timescales based around the four Sustainable Land Management (SLM) objectives;
1. to support the Sustainable Production of Food and other Goods,
 2. to mitigate and adapt to climate change,
 3. to maintain and enhance the resilience of ecosystems and the benefits they provide, and
 4. to conserve and enhance the countryside and cultural resources and promote public access to and engagement with them, and to sustain the Welsh language and promote and facilitate its use.
26. An SLM assessment is undertaken to ensure Welsh Ministers exercise functions in relation to agriculture, or other activities carried out on land used for agriculture and ancillary activities that best contributes to the SLM objectives. These four objectives are not hierarchical and must be considered together.
27. The current and proposed agricultural support will be outlined in the Multi Annual Support plan (MASP), which will be published before the end of this year, with an annual report published thereafter outlining financial spend and activity data.
28. SLM Indicators and targets will be consulted on early in 2025, with a statement outlining agreed indicators and targets by December 2025. The first SLM report is due in December 2026, setting out progress. The 5-year Impact report will use tried and tested evaluation techniques to ascertain the effectiveness of impact of the investment.

29. We are taking forward lessons learnt from previous mainly EU rural development programmes to ensure consistency in reporting and efficient use of resources, it is intended that SLM reporting will be the sector's contribution to directly inform Sustainable Management of Natural Resources (SMNR) reporting through the State of Natural Resources report (SoNaRR).
30. All reporting outlined in the 2023 Act will be published and add to the existing evidence base to determine where future investments need to be targeted for best value for money to meet societal, environmental and economic needs for the Well Being of Future Generations.
31. In May I announced the creation of the SFS Ministerial Roundtable which consists of farmers, representative organisations such as the Farming Unions, eNGO's and other stakeholders with an interest in achieving a sustainable agricultural industry in Wales.
32. I also confirmed BPS 2025 will continue unchanged, to provide as much certainty as possible without knowing the future budget position.
33. I have subsequently announced the SFS preparatory phase for 2025/26 with further announcements expected early next year to invest in the rural economy.
34. This phase will provide advice and support to farmers in advance of the introduction of SFS, including
- Habitat Wales Scheme 2025
 - Habitat Wales Scheme Commons agreement - extensions.
 - The 2025 Organic Support Payment
 - Extension of the Farming Connect programme.
 - A new Integrated Natural Resources Scheme
 - Growing for the Environment
 - Small Grants Environment
 - Small Grants Efficiency
 - Small Grants Horticulture Start up

- Agriculture Diversification and Horticulture Scheme

35. Due to the Ministerial decision to continue BPS 2025 unchanged and provide a preparatory phase before introduction of SFS in 2026, there is a revised cost profile for the implementation of the Agricultural Act. The updated Integrated Impact Assessment which will support a final decision in 2025 on the Scheme's introduction will set out the detail of these costs.

Well-being of Future Generations Act

36. My draft budget preparations demonstrate how I have sought to reflect the framework of the Wellbeing of Future Generations Act and the Sustainable Land Management objectives in the Agriculture (Wales) Act in setting our spending priorities. We reviewed current trends and future projections and their potential impacts in the short, medium and longer term. We did this to ensure, as far as possible, that short term responses do not have longer term detrimental impacts.

37. All funding for rural development will need to align with the Sustainable Land Management objectives and our priorities for the sustainable management of natural resources. These priorities are framed around the ways that natural resources can support our well-being goals and address both the risks to the environment and the social and economic benefits they provide.

Equality, Welsh language and children's rights assessment

38. The results from the impact assessments show that there are no disproportionate impacts on the identified groups due to these budgetary decisions.

2. Specific areas of policy

The development and implementation of agricultural policy including the proposed Sustainable Farming Scheme for Wales;

39. Our ambition for the Sustainable Farming Scheme to support a sustainable, productive agricultural industry in Wales has not changed. An updated Scheme Outline was published 25 November 2024 followed by a statement in the Senedd on 26 November.
40. The Scheme Outline sets out the significant progress we have made through collaboration. All members of the Roundtable, the Officials Working Group and the Carbon Sequestration Evidence Review Panel have contributed significantly to the content on the Scheme Outline.
41. The Roundtable has agreed that the published Scheme Outline will be used to undertake an updated economic analysis and impact assessment over the coming months to determine impacts on a range of agricultural, environmental and social aspects.
42. We have developed a Scheme which is designed to support all farmers in Wales through a Universal Baseline Payment, based on the completion of a set of Universal Actions.
43. Further support will be possible through the Optional and Collaborative Actions and where appropriate, until then we will continue to offer existing revenue and capital support, whilst they are developed.
44. The Scheme Outline will now be used to underpin a new economic analysis and impact assessment before Ministers make final decisions next summer. The Ministerial Roundtable will continue to be an important part of this process.
45. The development of fisheries policy, including the delivery of Fisheries Management Plans;
46. In setting out a Strategic Approach to Welsh Fisheries and Aquaculture, priorities have been considered against the wider Programme for Government commitments, the Joint Fisheries Statement (JFS) and Fisheries Management Plans (FMPs) commitments (under the Fisheries Act 2020).

Available budget and staff resources and other relevant factors, including a clear focus on delivery have also been considered.

47. Our future direction will continue to focus on the delivery of sustainable management at its core, and a focus on delivery of Fisheries Management Plans and adaptive management measures. All supported by science and evidence and engagement with stakeholders.

48. We will continue to deliver in line with our statutory duties and seek opportunities and initiatives to support the industry to develop and grow. Our regular funding rounds through the Welsh Marine and Fisheries Scheme will be designed to underpin all the priorities to help deliver the outcomes we all want to see.

49. The publication and implementation of FMPs as a key tool to deliver sustainable management will provide major benefits. However, they are creating substantial additional work across the Fisheries Division, most notably in Science and Policy. We recognise that some non-quota stocks are 'data deficient' and therefore for these stocks, as FMPs are implemented, they will first look to address evidence gaps to improve our understanding of stocks before changing management. Budget will be allocated to deliver the required assessments and advice.

Bovine TB eradication and other animal disease control such as avian flu and bluetongue;

50. Chief Veterinary Officers (OCVO) programme is made up of statutory and demand-led animal health and welfare, disease eradication and compensation priorities, including protection of public health. Our funding enables the delivery of policy areas such as;

- The continued Eradication of TB, including hotspots where prevalence is increasing (e.g. Anglesey). This includes the delivery of the 5-year TB Eradication Programme, which outlines a suite of measures aimed at reducing TB in Wales.
- Preparing for and responding to animal health disease incursions and outbreaks e.g. avian influenza and Bluetongue, where necessary, our need to meet the statutory obligation to pay compensation for any animals culled.

- Developing the animal health and welfare cornerstone of the Sustainable Farming Scheme, including the Animal Health Improvement Cycle.
- Delivery of PfG Commitments relating to Animal Health and welfare and the ten-year Wales Animal Health and Welfare Framework.
- Protection against risks to public health, and society from Antimicrobial Resistance.
- The capability to prepare for and respond to future pandemics and diseases of animal origin, which threaten human health and the environment.

Development and implementation of food and drink policy, including the Community Food Strategy;

51. The Programme for Government 2021 – 2026 includes a commitment to ‘Develop a Wales Community Food Strategy (CFS) to encourage the production and supply of locally-sourced food in Wales’.
52. The vision of the CFS is ‘to create a strong, vibrant and more prominent, grass roots, local element to the food system, rooted in communities and benefitting com local food supply activity and connectivity to stimulate the need for food demand.
53. CFS Development Approach:
 54. To focus on forming new ways of working by creating an ongoing joined-up partnership approach across Welsh Government and with the key local level actors, including local authorities, public bodies and third sector organisations.
 55. To provide enabling solutions that will support local level direction setting and action. The CFS will avoid a ‘top down’ directive approach and instead stimulate the creation of local initiatives that have been designed to address local needs.
 56. For the priorities and goals of the Strategy to be developed and refreshed through an ongoing process of engagement and collaboration to ensure the focus and direction remains pragmatic and relevant.

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57. Within the CFS, funding will be provided to support the network of Local Food Partnerships (LFPs) towards achieving genuine grass roots change. LFPs were established in every Local Authority region (with two LFPs covering Powys) through initial funding from the Social Justice MEG in 2022-23. This network will bring capacity for local leadership and co-ordination, and the means to connect community level activities with public body level planning and service delivery.
58. For 25-26 up to £1m Revenue and £230,000 Capital will be drawn from the Sustainable Farming Scheme Preparatory Phase (SFSP) Given the cross-portfolio nature of delivery around the CFS, this will match additional proposed funding for the LFPs from the Social Justice MEG (Resource only).

An update on discussions with the UK Government about future funding for agriculture support.

59. The Welsh Government's position has been that the UK Government should provide a baseline transfer of at least the same level of replacement farm funding as we received this financial year for 2025-26 along with Bew funding. In 2024-25 we received £339.6m. Ahead of the Autumn Budget the Cabinet Secretary for Finance and Welsh Language wrote to the Chancellor to this effect.
60. A meeting of the Finance Interministerial Standing Committee took place on the 3 October. The meeting explored opportunities to work together to make progress on a series of legacy issues, including on the future of replacement EU funds.
61. It is a long-standing principle of devolution that the Welsh Government budget should not be ring-fenced for specific purposes. It is for Welsh Ministers, with the Senedd's approval, to decide how to allocate the Welsh Government's budget to reflect the circumstances and priorities in Wales.

3. Legislation

Continued agricultural payments ahead of transition to the new Sustainable Farming Scheme – the Basic Payment Scheme and interim replacement schemes such as the Habitat Wales Scheme, the Organic Support Payment and the Integrated Natural Resources Scheme.

62. Support for the Agriculture sector will continue using EU Assimilated Law, which was amended in Wales in 2022 ahead of launch of the new Sustainable Farming Scheme – this includes Basic Payment Scheme and interim replacement schemes such as the Habitat Wales Scheme, the Organic Support Payment and the Integrated Natural Resources Scheme.

The process of transition to the new Sustainable Farming Scheme such as piloting, outreach e.g. support for Farming Connect, administrative arrangements and research and development

63. New secondary legislation will be introduced in 2025 to give effect to sections 10 and 12 of the Agriculture (Wales) Act 2023, which will govern all future agriculture support, beginning with the launch of the new Sustainable Farming Scheme in 2026.

64. In addition to the direct support available to farmers outlined in the SFS preparatory phase, we are working with:

- farmers to get our mapping right for habitat and other landscape features.
- NRW to work out how best to deliver designated site management plans
- Farm assurance and vets to pilot the Animal Health Improvement Cycle

Bovine TB Eradication Programme (including Delivery Plan, testing and compensation);

65. Further amendment of the TB (Wales) Order 2010 will be needed to implement changes to compensation and Informed Purchasing. This will take

place following further consultation with industry and appropriate policy development, including impact assessments.

The implementation, enforcement and review of the Water Resources (Control of Agricultural Pollution) Regulations 2021;

66. Budget is set aside from BEL 2860 to review and implement domestic regulations, to fulfil statutory and international obligations, including in relation to the Control of Agricultural Pollution Regulations; Environmental Impact Assessment Regulations; the Agricultural Advisory Panel for Wales; Agricultural Wages Orders; and the development of the wider baseline regulations which underpin land management schemes.

Continued financial assistance for the marine, fisheries and aquaculture sectors following the end of the European Maritime and Fisheries Fund (EMFF);

67. The European Maritime and Fisheries Fund has been replaced with the domestically funded Welsh Marine and Fisheries scheme (WMFS). This is a funding scheme to support environmentally and economically sustainable growth in the Welsh seafood industry and encourage the Welsh coastal communities to thrive. The WMFS has been tailored to support Welsh interests in the new UK and international context, a balance has been struck between continuity with the past, a degree of consistency with other UK Administrations and looking forward to capitalising on new opportunities. Operationally, the scheme is flexible to allow the Welsh Government to adapt to changing priorities whilst advancing towards our strategic aims.

68. The WMFS will continue to support the marine, fisheries and aquaculture sectors in 2025 with a General Funding round which is broad in nature and has the strategic aims and objectives of:

- Contribute to Wales having a marine environment which is resilient and sustainable against the effects of climate change.
- Contribute to Wales having the science and evidence to inform future decisions in the Welsh marine, fisheries and aquaculture sector from species data to co-existence of marine sectors.
- Contribute to Wales having a biodiverse marine environment and a thriving, sustainable ecosystem.

- Contribute to a sustainable, profitable and diverse Welsh seafood sector which has a strong domestic market coupled with an expanding worldwide market.

69. In addition to the WMFS further support is being introduced by way of a Fisheries Animateur for Wales. This will provide support for fishers and aquaculture businesses to identify and access grant funding from Welsh Government and wider UK Government where relevant, the animateur will liaise between industry and Welsh Government policy to strengthen the interaction and co-development of support initiatives for the sector.

Key policies included in the new Animal Welfare Plan for Wales 2021-26;

70. Our Animal Welfare Plan for Wales outlines how we will integrate a broad range of ongoing animal welfare policy work, including statutory guidance for existing Regulations, licensing of animal exhibits, microchipping of dogs and cats, welfare of animals in transport, and Codes of Practice. This will require the need for review of existing animal welfare legislation, along with maintaining some flexibility should new policy actions be required.

Livestock identification and movement policy

71. The revocation and replacement of the Cattle Identification (Wales) Regulations 2007, as amended, is needed to implement registration and movement changes along with the introduction of Bovine EID in Wales. The policy proposals were consulted on in 2021 and we have continued to engage with industry throughout the policy development process.

Oversight of borders policy

72. Although the UK Government plans to seek a veterinary or more comprehensive Sanitary and Phytosanitary Measures SPS agreement with the EU, the Borders Target Operating Model currently remains extant policy. This budget is, therefore, identified to progress our readiness for implementation. It will include enabling completion of the Holyhead Border Control Post (BCP) build and essential spend on handover of the BCP expected in spring 2025. The budget also covers limited staffing costs, within Welsh Government and in Ynys Mon and Pembrokeshire Local Authorities.

- 73.** We will continue to work with the other UK administrations on the precise nature of the deal and what this means for SPS controls and UK biosecurity both in the interim and for the longer term. Our spending plans will be reviewed as the outcome of this work materialises.
- 74.** The budget includes an HMT contribution for just the build costs of £28,955k capital and £357k revenue. We maintain our stance that the UK Government should be funding all revenue costs of implementing any post-Brexit borders regime and not just the build.

4. Annex A Detailed breakdown of Actions by BEL activity

A breakdown of the 2025-26 draft budget, by Spending Programme Area, Action and Budget Expenditure Line (BEL), both revenue and capital.

Action: Strategic Evidence, Borders and Intergovernmental Relations

BEL Description	Resource Budget £'000	Capital Budget £'000
2816 - Strategic Evidence, Monitoring, Borders & Intergovernmental Relations	2,639	0

75. BEL 2816 supports the Strategic Evidence, Borders and Intergovernmental Relations Division (SEBIR - formerly ERA EU Exit and Strategy Unit). The division was created to coordinate, and support our exit from the EU, and now helps co-ordinate and embed transition activities into business as usual. With the completion of the UK-EU Trade and Co-operation Agreement the division supports the effective implementation of new cross-cutting functions and structures resulting from EU-Exit, the co-ordination across common frameworks and the management of intergovernmental relationships for the portfolio. Developments are still evolving requiring continued resource and effort to ensure effective engagement and influence across a number of UK Government departments.

76. The division works across Climate Change, Environment Sustainability and Rural Affairs portfolios to facilitate, co-ordinate and deliver strategic evidence, modelling and their practical applications to support the portfolios' wider policy making including;

- management of the long-term Environment & Rural Affairs Monitoring & Modelling Programme(ERAMMP) contract,
- the development of Earth Observation technologies,
- a focused Environmental Evidence Programme, and
- academic engagement activities

all these are focused on supporting policy development, delivery and evaluation of Programme for Government (PfG) Commitments.

Action: Develop and deliver overarching policy and programs on Agriculture

BEL Description	Resource Budget £'000	Capital Budget £'000
2829 Agri Strategy	500	0
2860 Agriculture Policy & Evidence, Delivery & Engagement	6,240	3,050

- BEL 2860 Agriculture Policy & Evidence, Delivery & Engagement
- BEL 2829 Agriculture Strategy

77. The Technical Advice Services supports the delivery of a range of statutory duties, policy development and support services in relation to agriculture and the environment including, but not limited to, TB valuations, Environmental Impact Assessment (EIA) Agriculture Regulations, Agricultural Land Classification, plant health, Agricultural Land Tribunals, Agricultural Wages, the Agricultural Advisory Panel for Wales and the Control of Agricultural Pollution Regulations.

78. Funding is allocated to Welsh Local Authorities via the Heads of Trading Standards to deliver targeted and additional animal health and welfare enforcement activities via a local authority agreed Partnership Development Plan.

79. This budget is the key mechanism for communicating and engaging with farming customers and the wider industry on Welsh Government administered schemes, policies and initiatives including the production of hard-copy updates to all BPS claimants and supporting farmers to become compliant with the Control of Agri Pollution Regulations.

80. The budget covers direct funding to the Royal Welsh Agricultural Society as well as other show Societies across Wales.

81. The allocation funds the County Parish Holdings (CPH) Project, which is rationalising and cleansing the CPH landscape in Wales. The allocated budget (£200,000) will ensure RPW continue to administer and maintain the current

IT platform with the other £300,000 being needed to support the outcome of the independent review that is currently taking place, and any case work and other costs associated with the changing of CPH numbers. EIDCymru is the sheep movement database for Welsh farmers, which meets the standards as set out in European Council Regulation 21/2004 where there is a requirement for member states to establish the basis for a European system to identify and record movements of sheep, goats and deer. Non-compliance with these regulations could lead to infraction and impact on future post EU exit trade agreements. EIDCymru provides increased traceability, helping to mitigate against the significant expense to both government and industry of an animal sheep disease outbreak.

82. This BEL funds important research and evaluation activity in relation to Welsh agriculture, the Farm Business Survey (FBS) is an annual survey of farm businesses in Wales. It is conducted with the primary purpose of collecting detailed physical and financial data about the economic position of farm businesses throughout Wales. The survey is the primary source of information on the economics of farm businesses. The survey provides evidence on the levels of income in different agricultural sectors in Wales, financial performance, and farms' financial situation (assets, liabilities, net worth). For example, the Farm Business Survey is the source of the commonly quoted figure: on average, 80% of Welsh farmers' income derives from the Basic Farm Payment.

Action: Basic Payments & Administration

BEL Description	Resource Budget £'000	Capital Budget £'000
2787 – BPS	238,000	0
2790 – RPW Admin	3,794	0
2790 – RPW Admin Non Cash	10,243	0
2789 – RPW ICT	0	8,200

83. The Basic Payment Scheme (BPS) is 100% domestic funded Direct Aid, which has been retained from the Common Agricultural Policy (CAP) under retained EU law. Payments are made directly to farmers who use the money to meet their business and other expenses. Payments are made in October (advance) and December (balances). Direct Payments for Farmers (Legislative Continuity) Act 2020 (c.2),

84. BEL 2790 RPW ICT systems comprises three main components:

- CAPIT: A rules-based application validation and payment system.
- Scheme Editor: A Geographical Information System (GIS) based Land Parcel Identification System (LPIS) used to map all land farmed and claimed in Wales either for BPS or Glastir.
- RPW Online: An online portal for farmers (claimants) to apply and claim for various CAP and RDP schemes. This system supports a 100% digital service within RPW.

85. All three systems are integral to maintaining efficient delivery of all rural support schemes and it is imperative they continue to operate and be developed to:

- Maintain a robust audit trail and records retention for all payments.
- Deliver the suite of domestic support schemes as part of the SFS preparatory phase.
- Support the delivery and implementation of SFS in 2026 and transition from BPS thereafter.

Action: Rural Investment Schemes

BEL Description	Resource Budget £'000	Capital Budget £'000
2833 – Rural Investment Schemes	50,220	66,952

86. The purpose of this BEL is to prepare the sector for the introduction of the SFS from 2026, through the provision of various demand led rural investment and SFS preparation schemes. The schemes build on the over £200m of transitional rural investment schemes provided to farmers and land managers between 2021 and 2025 using EU replacement funding, ahead of the introduction of the Sustainable Farming Scheme. Monitoring, reporting and evaluation for this support will be as outlined in the Agriculture (Wales) Act 2023.

Action: Welsh Government Rural Communities: Delivering the programs within the Rural Development Plan 2014-20

BEL Description	Resource Budget £'000	Capital Budget £'000
2949 – RDP 14-20	1,500	0

87. BEL 2949 - The Welsh Government Rural Communities – Rural Development Programme 2014-2020 was a 7 year investment programme supporting a wide range of activities which closed in December 2023. Since 2025 funding is limited to the remaining multi-year woodland creation commitments, to pay annual income foregone and maintenance claims.

Action: Fisheries and aquaculture including the enforcement of Welsh Fisheries

BEL Description	Resource Budget £'000	Capital Budget £'000
2870- Fisheries	3,605	1,000

88.BEL 2870 covers funding for the following;

- Fisheries Science and Evidence – Delivery of a range of statutory and non-statutory fisheries science commitments, underpinning fisheries management of fisheries and policy development.
- Welsh Marine and Fisheries Scheme – This is the EMFF replacement scheme and is the vehicle for investment in the fisheries and aquaculture sectors
- Fisheries Digital Systems – Digital fisheries management systems include a range of IT systems for catch recording, vessel monitoring, recording fisheries and marine licence inspections, fish sales records and health and safety systems for enforcement officers.
- Domestic Fisheries Policy - We will continue to meet statutory obligations to manage permitted fisheries and deliver Fisheries Management Plans. This work will ensure our fisheries are sustainable by protecting the environment whilst, at the same time, maximising the economic and social benefits of fisheries to Wales.
- Marine & Fisheries Trade – Including core funding for Welsh Fisherman's Association (WFA)
- Control & Enforcement - Covers all operational costs around Control and Enforcement, including Fisheries Patrol Vessels costs, such as maintenance, fuel and insurance.

Action: Developing and Marketing Welsh Food and Drink

BEL Description	Resource Budget £'000	Capital Budget £'000
2970 - Promoting Welsh Food and Industry Development	5,360	0

89. BEL 2970 supports activities to promote the Welsh food and drink industry and develop the sector. The aim is to create a strong and vibrant Welsh food and drink industry with a global reputation for excellence, having one of the most environmentally and socially responsible supply chains in the world. The overall objectives and actions are outlined in **A Vision for the Food & Drink industry from 2021.**

90. Key activities delivered from BEL2970 include:

- the Trade Development programme which supports producers to gain access to supply multiple and independent retailers and wholesalers,
- the BlasCymru/TasteWales brokerage event, which in its last iteration generated over £35 million of contracts for Welsh Food and drink businesses and activities to promote exports and inward investment into Wales. The activity complements that funded by the Rural Investment Schemes BEL 2833, delivering the Strategic Innovation Scheme (including Project Helix, Skills and Enterprise programmes).

Action: Support and Delivery of the Animal Health and Welfare programme / strategy

BEL Description	Resource Budget £'000	Capital Budget £'000
2270 – Animal Health & Welfare Framework	1,910	0

91. This budget covers a range of Government expenditure on animal health, welfare, disease prevention and control as well as surveillance and proactive management/contingency planning for exotic diseases. It includes ongoing support to the Wales Animal Health and Welfare Framework Group and the Antimicrobial Resistance (AMR) in Animals and the Environment Delivery Group. This enables us to work in partnership with industry to raise standards of animal health and welfare, promote the responsible use of antibiotics and take effective action to manage animal disease outbreaks.

Action: Management and delivery of TB Eradication and other Endemic Diseases

BEL Description	Resource Budget £'000	Capital Budget £'000
2271 – Animal & Plant Health Agency	20,300	0
2272 – TB Slaughter Payments Costs and Receipts	14,312	0
2273 – TB Eradication	9,310	0

92. BEL 2271 supports statutory services and activities, the majority of which are delivered by the Animal and Plant Health Agency (APHA) in Wales. Funding helps safeguard animal health and welfare as well as public health, rural livelihoods and trade and enhances food security through research, surveillance and inspection.

93. Funding is also provided for the statutory work undertaken by the Food Standards Agency and funding to cover statutory TSE compensation payments should need arise.

94. A large proportion of APHA activity implements statutory requirements and Welsh Government policy relating to the TB Eradication Programme (in addition to BEL 2273) as well as applying controls to ensure the protection of human health and the human food chain.

95. Funding ensures we are able to respond to animal health and disease incursions and outbreaks including Avian Influenza (Bird flu) and Bluetongue. We have included where necessary our need to meet the statutory obligation to pay for compensation for any animals culled. Due to the increasing number of detections of H5 HPAI viruses in wild birds in different parts of Great Britain and the start of migration season, the risk of HPAI incursion in wild birds and poultry have been increased. Risk levels are anticipated to increase further over the winter underlining the importance of all bird keepers maintaining high standards of biosecurity and hygiene to protect flocks. Given we are in the bird migration season, risk levels are subject to change and will be assessed on a regular basis.

96. The budget is in place to mitigate:

- risk arising in the event of an exotic animal disease outbreak has wider repercussions given that the Welsh Government has contingent (financial) liability for unbudgeted costs in those circumstances e.g. cost to Government in Wales was estimated at around £100m in the 2001 Foot and Mouth Disease Outbreak when it was a non-devolved issue. In today's terms that cost could be significantly more without estimating damage to industry, communities, trade and tourism in Wales, where there would be a severe detrimental impact to incomes.
- failure to demonstrate effective control on animal disease could undermine future negotiations on a single market where requirements for having in place animal disease controls at least equivalent to other Members States may be a position heavily emphasised as part of any trade agreement with the European Union.

97. Reductions in levels of animal disease control will impact on current and future UK trade negotiations as the UK will be expected to be able to demonstrate levels of control at least equivalent to European Member States.

98. BEL 2272 is a 'demand led' budget and the Welsh Government has a statutory duty to pay TB compensation. The amount of animals removed and therefore the pressure on this budget is inextricably linked to the progress of TB Eradication and the TB Eradication Programme budget (BEL 2273). Any interruption to eradication policies may result in disease spread, which in turn is likely to result in increased TB compensation spend. If overspends occur there would be a consequence on wider OCVO and Welsh Government budgets, as these may also be called on to offset any overspend as seen in previous years.

99. BEL 2273 covers a statutory commitment to the UK TB Eradication Plan. This BEL supplements the activity undertaken by our delivery partner, the Animal and Plant Health Agency (APHA) to deliver TB policies, including annual testing, and initiatives and projects such as Cymorth TB and epidemiological work to help underpin the evidence and approach to the TB Eradication Programme. This work is partly funded by this BEL and also by BEL 2271 (Animal Health and Welfare Delivery and Payments).

Action: Border Controls

BEL Description	Resource Budget £'000	Capital Budget £'000
3730 Border Controls	4,100	28,955

100. The Division leads on the co-ordination of policy advice for the Borders Target Operating Model implementation and the implementation of the Windsor Framework as it applies in Wales. The division also leads on the operational aspects of the physical border control facilities and buildings. Specifically for Holyhead how the Border Control Posts (BCP) building will be managed and maintained by the Welsh Government once the building has been completed and handed over by the contractors.

