



Llywodraeth Cymru  
Welsh Government

# Economy, Trade and Rural Affairs Committee

## Welsh Government Draft Budget Scrutiny 2026-27

26/11/2025

## Background

This paper provides evidence to the Committee on the spending 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 14 October 2025 and stage 2, 3 November 2025.

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 2026-27

1. The Draft Budget is the starting point of the Welsh Government's budget process - not the end of it. The Draft Budget 2026-27 is built on the strong foundation of last year's budget, which included £1.6bn of new spending commitments, enabling public services to start planning for the 2026–27 financial year. It allocates 98.6% of available funding, leaving room for further investment in Wales' priorities by the Final Budget in January. It is our firm ambition to secure a Final Budget which uses all the resources available for 2026-27. The government remains open to collaboration with other Senedd parties to agree a budget, emphasising the shared responsibility to pass a budget to benefit Welsh citizens
2. The tables below provide an overview of the plans summarised at a high level by business area for the Rural Affairs and Borders portfolio published in the Draft Budget 2026-27 on 3rd November 2025.
3. An additional allocation from UK Government of £18m over 12 years has been announced, following the publication of the Draft Budget, as a result of the Fisheries and Coastal Growth fund settlement from May 2025. All new proposals for spending will be considered as part of the Final Budget preparations, ensuring decisions are made closest to those affected, supporting local priorities and sustainable growth

## Resource

4. The resource budget allocation has increased from the restated final budget 25-26 by £7.561m to £369.180m. The total resource budget is summarised in Table 1 below.

## Capital

5. The capital budget allocation of £109.770m includes £28.984m of ring-fenced funding provided by HMT for Border Control Posts. A like for like comparison excluding Border Control budgets shows an increase of £1.584m to the RA budget compared to 2025-26. The total capital budget is summarised in Table 2 below.

Table 1: Resource Budget Summary

Overview of the Rural Affairs Resource Budget			£'000			
Action	BEL No.	BEL Description	2026-27 Restated Final Budget	Change	2026-27 Draft Budget Oct-25	% Change
Strategic Evidence Monitoring and Intergovernmental Relations	2816	Strategy & Government Relations	2,639	53	2,692	2%
Develop and Deliver Overarching Policy, Programmes and Investment in Agriculture, Food and Fisheries	2829	Agriculture Strategy	500	(500)	6,631	(2%)
	2860	Agriculture Policy & Evidence, Delivery & Engagement	6,291	340		
	2792	Agriculture Support	0	295,593	295,593	2%
	2787	Basic Payment Scheme	238,000	(238,000)		
	2833	Rural Investment Schemes	50,297	(50,297)		
	2949	Rural Development Plan 2014-20	1,500	(1,500)	4,187	10%
	2790	RPW Administration	3,811	376		
	2870	Fisheries	3,605	72	3,677	2%
	2970	Promoting Welsh Food and Industry Development	5,363	107	5,470	2%
Support and Delivery of the Animal Health and Welfare Programme / Strategy	2270	Animal Health & Welfare Framework	1,910	38	1,948	2%
Management and Delivery of TB Eradication and Other Endemic Diseases	2271	Animal and Plant Health Agency	20,300	406	20,706	2%
	2272	TB Slaughter Payments Costs & Receipts	14,312	286	14,598	2%
	2273	TB Eradication	9,321	186	9,507	2%
Border Controls	3730	Border Controls	3,770	401	4,171	11%
TOTAL Resource - Near Cash			361,619	7,561	369,180	2%

**Table 2: Capital Budget Summary**

Overview of the Rural Affairs Capital Budget			£'000			
Action	BEL No.	BEL Description	2026-27 Restated Final Budget	Change	2026-27 Draft Budget Oct-25	% Change
Develop and Deliver Overarching Policy, Programmes and Investment in Agriculture, Food and Fisheries	2860	Agriculture Policy & Evidence, Delivery & Engagement	3,050	61	3,111	2%
	2792	Agriculture Support	0	68,291	68,291	2%
	2833	Rural Investment Schemes	66,952	(66,952)		
	2789	Rural Payments ICT	8,200	164		
	2870	Fisheries	1,000	20	1,020	2%
Border Controls	3730	Border Controls	0	28,984*	28,984	
<b>TOTAL Capital</b>			<b>79,202</b>	<b>30,568</b>	<b>109,770</b>	<b>2%</b>

\*28.984m of ring fenced funding provided by HMT for Border Control Posts.

## Prioritisation of Budget

6. My aim is to ensure sustainable management of our natural resources. To achieve this, the budget allows me to drive forward action on the following priorities:
  - Creating a sustainable future for Welsh food, fisheries and farming.
  - 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.
  - 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.
  - Improving health and animal welfare.

7. Within this budget I have prioritised support to the agriculture sector, to support the launch of the Sustainable Farming Scheme (SFS) in 2026 by maintaining a budget of £238 million for the Universal Layers in 2026 to encourage as many farmers into the SFS, so they can start to realise the benefits as soon as possible. There will be a Transition Period and Basic Payment Scheme (BPS) available for those not in the SFS, although it will be reduced by 40% next year. 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.
8. I am also providing revenue and capital funding of at least £102m to support farmers to enhance the environmental and financial performance of their businesses during the period leading up to, and including, the introduction of SFS optional and collaborative layers and the Preparatory Phase schemes detailed later in this evidence paper.

## Approach to setting the Budget for 2026-27 and assessment of impacts

9. The Well-being of Future Generations Act continues to be a cornerstone of Welsh Government budget planning, ensuring that decisions made in the 2026–27 Draft Budget reflect long-term thinking, prevention, and collaboration across sectors.
10. This Draft Budget demonstrates a clear commitment to the five ways of working outlined in the Act—particularly through sustained engagement with stakeholders, including the Welsh Commissioners, the Social Partnership Council the Budget Improvement and Impact Advisory Group, Local Government and the voluntary sector.
11. 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.
12. 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.
13. I have published all of the evidence supporting my decision on the SFS on the Welsh Government website including the economic analysis. This is a comprehensive set of evidence which covers the potential economic, environmental and social outcomes of the Scheme. The evidence includes the Business Case, Integrated Impact Assessment and an updated economic analysis.
14. The economic analysis is an independent report by a consortium led by ADAS. The report models the estimated impact of the final SFS I launched in July 2025, including the final payment rates This is scenario modelling and not prediction. It isn't definitive.

## Equality, Sustainability, Welsh language and Children's rights Assessment

15. The results from the impact assessments show that there are no disproportionate impacts on the identified groups due to these budgetary decisions further information is available  
Sustainable Farming Scheme: integrated impact assessment | GOV.WALES.

### The implications of increased cost of living

16. An inflationary uplift has been applied to each MEG, including CCRA to ensure every part of the Welsh Government will start 2026-27 with at least the same level of funding in real terms as they have been allocated this year (2025-26). The majority of BEL lines subject for scrutiny by this committee has seen a 2% increase in both Revenue and Capital budgets.
17. In calculating the inflationary uplift we have reflected the Office of Budget Responsibility's (OBR) March 2025 inflation forecasts for 2026-27.
18. We have also taken account of OBR's March pay growth forecasts for 2026-27 which was 2.2%.
19. The OBR will issue revised forecasts for 2026-27 alongside the UK Government Autumn Budget on 26 November. We will consider carefully the impact of any changes and make additional provision if necessary.



## EU transition following the UK's withdrawal from the EU

20. 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 in particular given the recent agreement between the UK and EU.
21. 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 have agreed principles for working across the four nations including discussing matters of differences to agree how we work together to further respective policy aims.
22. This work is supported by a series of common frameworks which have been updated and following the outcome of the UK Government's review of the Internal Market Act are now intended to be the main forum for discussing policy cooperation and divergence to support an internal market. Officials are now working through the detail of the UK Government's commitments.
23. 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.
24. Although the UK Government plans to seek a comprehensive Sanitary and Phytosanitary Measures SPS agreement with the EU as part of the UK / EU Reset Agreement, the Borders Target Operating Model currently remains extant policy.
25. We are working with the other UK administrations on the precise nature of the Reset deal and what this means for SPS controls and UK biosecurity both in the interim and for the longer term

## Rural Affairs Programme for Government 2021-2026

26. 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 across 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.
27. 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.
28. The Programme for Government commits us to creating a new system of farm support that will maximise the protective power of nature through farming delivered through the SFS, and a multi-species system and service, delivered under the existing Welsh sheep movement system, EIDCymru. Livestock identification and movement systems are crucial pieces of infrastructure to support disease prevention and control, which in turn supports public health and public confidence.
29. In addition, EIDCymru as a multi-species system will also allow compliance with European Regulations, which is important following the UK Government's recent announcement to pursue an SPS agreement to dynamically align with EU rules.

## Preventative Spend

30. 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.
31. 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 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.
32. 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 2% in 26-27 which helps ease pressures reported through this current financial year.
33. In 2024 the EIDCymru system was enhanced to include BVDCymru which supports the implementation of the Bovine Viral Diarrhoea (Wales) Order 2024. As part of plans for a compulsory BVD eradication scheme for Wales, the live BVDCymru system displays the BVD status of all herds in Wales screened annually, as well as individual animal BVD status and is supported by a service desk based within the EIDCymru service. The live system and service is being further developed to support further disease control measures coming into force in July 2026 that align with the availability of cattle movement and registration data on EIDCymru.

## Evidence-based policy making

34. The evidence used is made up of evidenced based policy commitments in the Programme for Government aimed at tackling the Climate and nature emergencies.
35. 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.
36. 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;
- to support the Sustainable Production of Food and other Goods,
  - to mitigate and adapt to climate change,
  - to maintain and enhance the resilience of ecosystems and the benefits they provide, and
  - 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.
37. 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.
38. The current and proposed agricultural support was outlined in the Multi Annual Support plan (MASP) published in December 2024, with an annual report due to be published from March 2026 outlining financial spend and activity data.
39. SLM Indicator and target statement will be published in December 2025. The first SLM report is due in December 2026, setting out progress, with a further SLM report due in 2031 following publication of the first SLM Impact report in 2030, which will use tried and tested evaluation techniques to ascertain the effectiveness of impact of the investments.
40. 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).

41. 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.
42. In May 2024 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. These comprehensive, collaborative discussions on the development of the SFS included views shared on proposed budget allocations.

## 2. Specific areas of policy

The transition from interim replacement schemes such as the Habitat Wales Scheme, the Organic Support Payment and the Integrated Natural Resources Scheme to the Sustainable Farming Scheme;

43. In this budget I am providing revenue and capital funding of at least £102m to support farmers to enhance the environmental and financial performance of their businesses during the period leading up to, and including the introduction of SFS optional and collaborative layers. The preparatory schemes and support for 2026/2027 and wider rural investment schemes include;
- Nutrient Management Investment scheme (NMIS) which provides financial support to improve the environmental and economic performance of farms through infrastructure investment such as equipment and machinery to address the impact of on-farm pollution.
  - Small Grant Yard Coverings scheme which provides support for on farm infrastructure improvements and a range of small grants providing opportunity for farmers to separate clean and dirty water.
  - Small Grant Efficiency Scheme, Agricultural Diversification and Horticulture Scheme, Organic Conversion and Organic Support continue to support Welsh farmers during the interim period to produce food sustainably and efficiently.
  - Small Grants – Environment, to support farmers to create and restore hedgerows and plant more trees, providing benefits for our native biodiversity, including pollinators that are so vital to farming.
  - Woodland Creation and Planning Grant to provide investment in trees to support both carbon sequestration and a wide range of other environmental and social benefits.
  - Woodland Restoration Scheme, to tackle the problem of disease and to diversify larch woodlands.
  - 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.
  - The continuation of the Basic Payment Scheme for those not joining the Sustainable Farming Scheme.

44. Within this budget I have prioritised support to the agriculture sector, to support the launch of the Sustainable Farming Scheme (SFS) in 2026 by maintaining a budget of £238 million for the Universal Layers in 2026 to encourage as many farmers into the SFS, so they can start to realise the benefits as soon as possible. There will be a Transition Period and Basic Payment Scheme (BPS) BPS available for those not in the SFS, although it will be reduced by 40% next year. 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.

The process of farmers transitioning to the new Sustainable Farming Scheme such as outreach e.g. support for Farming Connect and administrative arrangements;

45. Welsh Government currently supports farmers to transition to the SFS through several interventions including advice, guidance, training, and grants, with Farming Connect, a well-respected and well-recognised brand, the principal mechanism for delivering learning and development and knowledge sharing as well as outreach.
46. Our future offering will be designed to respond to the Sustainable Land Management (SLM) objectives set out in the Agriculture (Wales) Act and specifically introduction of the Sustainable Farming Scheme (SFS), as we transition away from the Basic Payment Scheme between 2025 and 2029. Through the current Farming Connect offering supporting farmers to transition to the SFS has been ongoing for some time. Several interventions have been used to deliver free or subsidised bespoke one to one or one to many advice and support.
47. Farming Connect has been working alongside the Farm Liaison Service and policy officials to deliver a series of SFS Roadshow events across Wales to engage directly with individual farmers. The Roadshows have been well received, and farmers have noted the benefit of the one to one discussions to help them prepare for the start of the Scheme.

**The development of fisheries policy, including the delivery of Fisheries Management Plans, and continued financial assistance for the marine, fisheries and aquaculture sectors following the end of the European Maritime and Fisheries Fund (EMFF);**

48. 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.
49. 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.
50. We will continue to deliver in line with our statutory duties, including Control and Enforcement, 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.
51. The publication and implementation of FMPs as a key tool to deliver sustainable management will provide major benefits. 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 Programme (including Delivery Plan, testing and compensation) including other animal disease control such as avian flu and bluetongue

52. The Chief Veterinary Officers (CVO) 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. This includes the delivery of the current 5-year TB Eradication Delivery Plan, 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.

53. Delivery of the compulsory BVD eradication scheme for Wales, has required funding to develop the BVDCymru system. This system displays the BVD status of all herds in Wales screened annually, as well as individual animal BVD status.

## Key policies included in the new Animal Welfare Plan for Wales 2021- 26 including outcomes of the work around licensing of animal welfare establishments, activities and exhibits;

54. Our Animal Welfare Plan sets out key actions to deliver four Programme for Government commitments and other priorities. Annual progress reports are available here: <https://www.gov.wales/animal-welfare-plan-wales-2021-2026>.
55. In June 2025, we published the Welsh Government's response to the consultation on licensing animal welfare establishments, activities, and exhibits—marking a major step toward a National Model for the regulation of animal welfare.
56. We will introduce the National Model in phases, focusing on areas where regulation offers the greatest benefit, guided by consultation feedback:
- Phase 1: Develop proposals for regulating animal welfare establishments including rescues, sanctuaries, rehabilitation, and rehoming centres.
  - Phase 2: Consider regulation of pet grooming, a widespread but currently unregulated sector with over 500 groomers in Wales.
  - Future phases: Explore regulation of other activities where strong support and evidence exist.
57. Enforcement is key to success. In response to consultation concerns, we awarded a £700,000 funding extension to the local authority enforcement project Animal Licensing Wales through 2025/2026. Maintaining a similar level of funding level through 2026/27 would help sustain momentum, support the delivery of the National Model, and ensure lasting improvements to animal welfare across Wales.

## Livestock identification and movement policy

58. 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 livestock registration and movement reporting policy proposals were consulted on in 2021 and this year we have consulted on the implementation of Bovine EID in Wales. We will continue to engage with industry throughout the policy implementation process.
59. Amendments introduced by the legislation changes will be enabled on EIDCymru when cattle reporting has transitioned across from BCMS.

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

60. 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’.
61. Since the publication of the Community Food Strategy on 29 April 2025, the focus has moved to deliver funding support to Local Food Partnerships (LFPs) and for the formation of a dedicated Ministerial Advisory Group. Both initiatives will provide early impact against the overall purpose of the strategy; to maximise the potential of food related priorities to deliver benefits for Welsh communities across economic, social, cultural and environmental well-being.
62. Funding support to Local Food Partnerships for FY 2025-26, Officials across Food Division and Tackling Poverty have been working closely with stakeholders to develop a common set of objectives and performance indicators for LFPs, that bring together the priorities of the combined cross-portfolio funding package from the Sustainable Farming Scheme Preparatory Phase (SFSP) and the Social Justice MEG. Through the Social Justice MEG, the existing network of LFPs is resourced until the end of March 2028. The additional funding through the SFSP has been used to build the capacity of LFPs by enabling them to design and implement their own food projects. These projects address key priorities of tackling food poverty, developing new local supply chain opportunities, and providing a better networking and strategic join-up of local food activity.
63. The roll out of joint funding for FY 2025-26 is on course to successfully deliver food related projects in every local authority area in Wales. It is anticipated these projects will for example, support the supply of local food into public procurement and community food hubs, connect communities and schools with local primary producers, , and provide skills development across growing, cooking and healthy eating.
64. The Community Food Strategy commits to establishing a Ministerial Advisory Group, to oversee the implementation of the strategy, through a collaborative process with key stakeholders and delivery partners who are associated with local food.

On this basis, Terms of Reference is being designed and will be further developed at a first meeting of co-opted stakeholders, who will form the core membership of the Group. It is then intended the wider membership will be appointed through an open ‘expression of interest’ process

Please could you also provide an update on discussions with the UK Government about future funding for agriculture support.

65. The UK Spending Review provides the Welsh Government with its settlement for resource until 2028-29 and capital until 2029-30.
66. Last October, the UK Budget removed the previous ring-fence imposed on agriculture funding to Wales while providing full replacement farm funding in 2024-25 (including Bew contributions) of £339.6m. This funding has now been baselined into the Welsh Government Budget. The Barnett formula will only be applied to any future changes in spending (increases and decreases) in England on programmes which are devolved in Wales, and include our additional 5% needs uplift, in the same way as for all other areas of spending.
67. 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

#### Agriculture (Wales) Act 2023

68. The Agriculture (Wales) Act 2023 provides powers to amend legislation derived from the European Union (EU) and establishes Sustainable Land Management as the framework for future agricultural support and regulation within Wales.

69. The Act also amends other legislation in relation to agricultural tenancies, Forestry, Snares and Glue Traps. It will:

- ensure tenants of 1986 Act (AHA) and 1995 Act (FBT) agreements are not unfairly restricted from accessing financial assistance provided under the power of support provisions in the Bill.
- Amend the Forestry Act 1967 to add conditions focussed on environmental protection and conservation to felling licences and amend, suspend or revoke felling licences once granted.
- Prohibit two specific methods of pest control, namely the use of snares for capturing wild animals, and the use of glue traps for capturing (non- human) vertebrates

#### Prohibition of Greyhound Racing (Wales) Bill

70. OCVO currently has funding available to support the development of this Bill in 2026/27.

#### The Cattle Identification (Wales) Order 2026

71. ASDD are in the process of revoking and replacing the CIR 2007 cattle ID regulations to enable reporting amendments to the current registration and movement reporting processes for cattle along with the implementation of Bovine EID in Wales. Any internal costs incurred as a result of these legislative changes will be met by BEL 2860

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

72. 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.

## 4. Oversight of borders policy

Details of funding related to oversight of borders policy, including as it relates to Border Control Posts (BCPs) and a potential UK-EU Sanitary and Phytosanitary (SPS) agreement.

73. Although the UK Government plans to seek a comprehensive Sanitary and Phytosanitary Measures SPS agreement with the EU as part of the UK / EU Reset Agreement, the Borders Target Operating Model currently remains extant policy.
74. We continue to work closely with the UK government and other UK administrations on SPS controls and UK biosecurity both in the interim and for the longer term. A reset of these matters should improve the trading environment for our businesses, contribute to food system security, and biosecurity.
75. Welsh Government is preparing for the UK-EU negotiation which I expect to begin in October. Preparation means being clear that Welsh priorities are adopted in the UK government's negotiating position. I continue to meet with my ministerial counterparts regularly as the negotiations proceed. Our spending plans will be reviewed as the outcome of this work materialises. Until the reset arrangements are finalised we must maintain the Border Control Post (BCP) at Holyhead, and the budget includes the necessary funding to do so.

## 5. Annex A: Detailed breakdown of Actions by BEL activity

A breakdown of the 2026-27 draft budget, by Spending Programme Area, Action and Budget Expenditure Line (BEL), both revenue and capital.



## Action: Strategic Evidence, Monitoring and Intergovernmental Relations

<b>BEL description</b>	<b>Revenue Budget £000</b>	<b>Capital Budget £000</b>
2816 - Strategy and Government Relations	2,692	0

BEL 2816 supports the Strategic Evidence and Intergovernmental Relations Division (SEIR - 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.

The division works across Climate Change, Environment Sustainability and Rural Affairs portfolios to support effective intergovernmental working across the portfolio; and 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, Programmes and Investment in Agriculture, Food and Fisheries

BEL description	Revenue Budget £000	Capital Budget £000
2860 - Agriculture Policy & Evidence, Delivery & Engagement	6,631	3,111

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.

Funding of £100,000 is allocated to Welsh Local Authorities via the Heads of Trading Standards to deliver targeted and additional animal health and welfare enforcement activities over and above their statutory duty, via a local authority agreed Partnership Development Plan. 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.

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

The allocation funds the County Parish Holdings (CPH) Project, which is rationalising and cleansing the CPH landscape in Wales. EIDCymru is the Welsh movement system and service for sheep, goats and deer in Wales. EIDCymru provides increased traceability, helping to mitigate against the significant expense to both government and industry of an animal sheep disease outbreak.

EIDCymru is being developed into the new Welsh multispecies livestock traceability system and service to incorporate cattle into the current sheep, goats and deer movement reporting system. The Multi-species Wales (MSW) project sits within this BEL with a revenue allocation of £1.1m and capital allocation of £3.1m in the Draft Budget 2026-27. The budget allocation will finance the costs of continued development of the EIDCymru system to ensure it complies with legislative changes and enables policy amendments required. This cattle traceability system and service is currently provided by the British Cattle Movement Service (BCMS) through the Cattle Tracing System (CTS). The MSW project Minimum Viable Product (MVP) for cattle is planned to go live in 2026/27 and depending on go live date, the current budget allocation of £1.9m for BCMS costs should reduce and any surplus budget will transfer to the EIDCymru budget for the system and service delivery.

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.

<b>BEL description</b>	<b>Revenue Budget £000</b>	<b>Capital Budget £000</b>
2792 - Agriculture Support	295,593	68,291

The current Budget Expenditure Lines (BEL) used to deliver Basic Payments Scheme (BPS BEL 2787) and Rural Investment Schemes (BEL 2833 RIS) will be merged, thereby creating a single 'Agriculture Support' BEL 2792 from FY 2026/27. The 2026/27 draft budget settlement provides £363.8M (Revenue £295.5m and £68.2m Capital budget, and will fund:

- Basic Payment Scheme
- SFS Universal Payment
- SFS Optional Actions (including support for non-SFS clients)
- SFS Collaborative Actions
- Programme costs
- Rural Development Programme (RDP) existing commitments
- Other Rural Affairs policy priorities

The design of the new system of farm support is founded on the Agriculture (Wales) Act 2023 which establishes Sustainable Land Management (SLM) and is consistent with the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016. The SLM Objectives capture the sustainable production of food and other goods whilst also addressing the climate and nature emergency and recognising the key role farmers play in the environmental, economic, social and cultural health of Wales.

The development of this proposed new support, 'Sustainable Farming Scheme' (SFS or Scheme) as the replacement for the Basic Payment Scheme (BPS) has been through an iterative process of consultation, codesign and policy development starting with the consultation 'Brexite and our Land' in 2018. The recent consultation 'Sustainable Farming Scheme - Keeping farmers farming' (2023) has been followed by further codesign and collaboration with a wide range of stakeholders, including the SFS Ministerial Roundtable and its working groups.

(Old) 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.

(Old) BEL 2833 – provided transitional support 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.

(Old) BEL 2787 – Basic Payments Scheme - 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) and are being phased out by 2029 alongside the introduction of SFS.

<b>BEL description</b>	<b>Revenue Budget £000</b>	<b>Capital Budget £000</b>
2789 - Rural Payments ICT	0	8,364
2790 - RPW Administration	4,187	0

BEL 2789 and BEL 2790 RPW Admin and ICT systems comprises three main components\*:

- CAPIT: A rules-based application validation and payment system. Also used to support regulative requirements and controls, including support of livestock traceability.
- 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 legacy Basic Payment Scheme (BPS), the new Sustainable Farming Scheme (SFS) and other land based support schemes e.g. Woodland Creation.
- RPW Online: An online portal for farmers (claimants) to apply and claim for various schemes, including BPS and SFS. This system supports a 100% digital service within RPW.
- The allocation also funds the County Parish Holdings (CPH) IT costs

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.
- Support the delivery and implementation of the new SFS functionality in 2026-2027, providing full functionality and user- friendly features, along with ongoing maintenance, and the tapering and transition from BPS thereafter.

- Support the validation and consenting processes undertaken by 3rd party delivery partners e.g. Natural Resources Wales.
- Support the delivery and implementation of system integration between RPW and Farming Connect in 2026 and integration with other data sources, including Multi Species Wales, EID Cymru and Cattle Tracing System and DEFRA in 2027 to support the farm level carbon baseline requirements.
- Meet Welsh Government Information and IT Security standards and support Business Continuity
- Software maintenance to ensure up to date and compliant software, through continued monthly patching regime. Effective monitoring of all systems to support live operational use. Discovery of and implementation of platform designs to support effective Operational delivery and compliance

<b>BEL description</b>	<b>Revenue Budget £000</b>	<b>Capital Budget £000</b>
2870 - Fisheries	3,677	1,020

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 permitting, 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, maximizing 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.



<b>BEL description</b>	<b>Revenue Budget £000</b>	<b>Capital Budget £000</b>
2970 - Promoting Welsh Food and Industry Development	5,470	0

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.

Key activities delivered from BEL 2970 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.

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

<b>BEL description</b>	<b>Revenue Budget £000</b>	<b>Capital Budget £000</b>
2270 - Animal Health & Welfare Framework	1,948	0

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) Animal Health 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	Revenue Budget £000	Capital Budget £000
2271 - Animal & Plant Health Agency	20,706	0

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.

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.

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.

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.

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 impacts 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 UK / EU 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 agreement with the European Union.

<b>BEL description</b>	<b>Revenue Budget £000</b>	<b>Capital Budget £000</b>
2272 - TB Slaughter Payments Costs and Receipts	14,598	0

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.

<b>BEL description</b>	<b>Revenue Budget £000</b>	<b>Capital Budget £000</b>
2273 - TB Eradication	9,507	0

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	Revenue Budget £000	Capital Budget £000
3730 – Border Controls	4,171	28,984

The Division leads on the co-ordination of policy advice for the Border Target Operating Model as it applies in Wales. The division also oversees the construction and operational aspects of the Border Control Post (BCP) building at Holyhead, and how it will be managed and maintained by the Welsh Government once the building has been completed and handed over by the contractors.

# 6. Annex B: Detailed breakdown of Draft Budget 2026-27 allocations at BEL level

The table summaries the adjustments made to the 2025-26 Final Budget baselines. For Fiscal Resource (revenue) the adjustments relate to recurrent allocations made during 2025-26 in respect of the public sector pay award and national insurance changes. There is also the reversal of the 2025-26 one- off, ring fenced funding.

RESOURCE BUDGET			£'000					
Action	BEL No.	BEL Description	Plans 2025-26 Final Budget Feb-25	Baseline Change s for 2026-27	2026-27 Revised Baseline	2026-27 Revised Baseline Changes	2026-27 Draft Budget Oct- 25	% Change
Strategic Evidence and Intergovernmental Relations	2816	Strategy and Government Relations	2,639	0	2,639	53	2,692	2%
Strategic Evidence and Intergovernmental Relations			2,639	0	2,639	53	2,692	2%
Develop and Deliver Overarching Policy, Programmes and Investment in Agriculture, Food and Fisheries	2829	Agriculture Strategy	500	0	500	(500)	0	N/A
	2860	Agriculture Policy & Evidence, Delivery & Engagement	6,240	51	6,291	340	6,631	(2%)
	2790	RPW Administration	3,794	17	3,811	376	4,187	10%
	2792	Agriculture Support	0	0	0	295,593	295,593	2%
	2787	Basic Payment Scheme	238,000	0	238,000	(238,000)	0	N/A
	2833	Rural Investment Schemes	60,220	(9,923)	50,297	(50,297)	0	N/A
	2949	Rural Development Plan 2014-20	1,500	0	1,500	(1,500)	0	N/A

	2870	Fisheries	3,605	0	3,605	72	3,677	2%
	2970	Promoting Welsh Food and Industry Development	5,360	3	5,363	107	5,470	2%
Total Develop and Deliver Overarching Policy, Programmes and Investment in Agriculture, Food and Fisheries			319,219	(9,852)	309,367	6,191	315,558	2%
Support and Delivery of the Animal Health and Welfare Programme / Strategy	2270	Animal Health & Welfare Framework	1,910	0	1,910	38	1,948	2%
Total Support and Delivery of the Animal Health and Welfare Programme / Strategy			1,910	0	1,910	38	1,948	2%
Management and Delivery of TB Eradication and Other Endemic Diseases	2271	Animal and Plant Health Agency	20,300	0	20,300	406	20,706	2%
	2272	TB Slaughter Payments Costs & Receipts	14,312	0	14,312	286	14,598	2%
	2273	TB Eradication	9,310	11	9,321	186	9,507	2%
Total Management and Delivery of TB Eradication and Other Endemic Diseases			43,922	11	43,933	878	44,811	2%
Border Controls	3730	Border Controls	4,100	(330)	3,770	401	4,171	11%
	Total Border Controls		4,100	(330)	3,770	401	4,171	11%
RURAL AFFAIRS & OCVO - TOTAL RESOURCE BUDGET			371,790	(10,171)	361,619	7,561	369,180	19%

CAPITAL BUDGET			£'000					
Action	BEL No.	BEL Description	Plans as per 2025-26 Final Budget Feb-25	Baseline Change s for 2026-27	2026-27 Revised Baseline	2026-27 Revised Baseline Changes	2026-27 Draft Budget Oct-25	% Change
<b>Develop and Deliver Overarching Policy, Programmes and Investment in Agriculture, Food and Fisheries</b>	2860	Agriculture Policy & Evidence, Delivery & Engagement	3,050	0	3,050	61	3,111	2%
	2789	Rural Payments ICT	8,200	0	8,200	164	8,364	2%
	2792	Agriculture Support	0	0	0	68,291	68,291	2%
	2833	Rural Investment Schemes	66,952	0	66,952	(66,952)	0	N/A
	2870	Fisheries	1,000	0	1,000	20	1,020	2%
<b>Total Develop and Deliver Overarching Policy, Programmes and Investment in Agriculture, Food and Fisheries</b>			<b>79,202</b>	<b>0</b>	<b>79,202</b>	<b>1,584</b>	<b>80,786</b>	<b>2%</b>
<b>Border Controls</b>	3730	Border Controls	28,955	(28,955)	0	28,984	28,984	100%
<b>Total Border Controls</b>			<b>28,955</b>	<b>(28,955)</b>	<b>0</b>	<b>28,984</b>	<b>28,984</b>	<b>100%</b>
<b>RURAL AFFAIRS &amp; OCVO - TOTAL CAPITAL BUDGET</b>			<b>108,157</b>	<b>(28,955)</b>	<b>79,202</b>	<b>30,568</b>	<b>109,770</b>	<b>39%</b>