

Agenda – Economy, Trade, and Rural Affairs Committee

Meeting Venue:

Committee room 5 – Tŷ Hywel
and video conference via Zoom

Meeting date: 26 November 2025

Meeting time: 09.15

For further information contact:

Robert Donovan

Committee Clerk

0300 200 6565

SeneddEconomy@senedd.wales

Hybrid

Private pre-meeting

09.00 – 09.15

Public session

09.15 – 12.20

1 Introductions, apologies, substitutions, and declarations of interest

09.15

2 Welsh Government Draft Budget 2026–27: Rural Affairs

09.15 – 10.15

(Pages 1 – 53)

Huw Irranca-Davies MS, Deputy First Minister and Cabinet Secretary for
Climate Change and Rural Affairs, Welsh Government

Gian Marco Currado, Director – Rural Affairs, Welsh Government

Dr Richard Irvine, Chief Veterinary Officer, Welsh Government

Jamie Powell, Deputy Director – Finance & Governance, Welsh Government



Attached Documents:

Research Brief

Evidence Paper – Welsh Government

Break

10.15 – 10.20

3 Welsh Government Draft Budget 2026–27: Trade and Borders

10.20 – 10.50

(Pages 54 – 123)

Rebecca Evans MS, Cabinet Secretary for Economy, Energy and Planning,
Welsh Government

Huw Irranca-Davies MS, Deputy First Minister and Cabinet Secretary for
Climate Change and Rural Affairs, Welsh Government

Peter Ryland, Chief Executive WEFO, Welsh Government

Andrew Gwatkin – Director – International Relations and Trade, Welsh
Government

Attached Documents:

Research Brief

Evidence Paper – Welsh Government

Break

10.50 – 11.00

4 Welsh Government Draft Budget 2026–27: Economy and Skills

11.00 – 12.20

(Pages 124 – 163)

Rebecca Evans MS, Cabinet Secretary for Economy, Energy and Planning,
Welsh Government

Jack Sargeant MS, Minister for Culture, Skills and Social Partnership, Welsh
Government

Duncan Hamer, Director – Operations, Business & Regions, Welsh
Government

Jo Salway, Director – Social Partnership, Employability & Fair Work, Welsh
Government

Attached Documents:

Research Brief

Evidence paper – Welsh Government

5 Papers to note

12.20

5.1 Development of Tourism and Regulation of Visitor Accommodation (Wales)

Bill: follow-up to 5 November 2025 evidence session

(Pages 164 – 168)

Attached Documents:

Letter from the Cabinet Secretary for Finance and Welsh Language – 18
November 2025

5.2 Development of Tourism and Regulation of Visitor Accommodation (Wales)

Bill: follow-up to 13 November 2025 evidence session

(Pages 169 – 170)

Attached Documents:

Letter from the Chair to Rent Smart Wales – 18 November 2025

**5.3 Food Processing Inquiry: Follow-up questions from 24 September 2025
Committee meeting**

(Pages 171 – 173)

Attached Documents:

Letter from the Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs – 18 November 2025

**5.4 Inter-Institutional Relations Agreement – Inter-Ministerial Standing
Committee (IMSC)**

(Page 174)

Attached Documents:

Letter from the Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs to the Chair of the Legislation, Justice and Constitution Committee – 18 November 2025

5.5 The Organic Production (Amendment) Regulations 2025

(Page 175)

Attached Documents:

Letter from the Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs – 19 November 2025

**6 Motion under Standing Order 17.42(ix) to resolve to exclude the
public from the remainder of the meeting**

12.20

Private session

12.20 – 12.30

7 Welsh Government Draft Budget 2026–27: Consideration of evidence

12.20 – 12.30

Agenda Item 2

Document is Restricted



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)		
	2790	RPW Administration	3,811	376	4,187	10%
	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	8,364	2%
	2870	Fisheries	1,000	20	1,020	2%
Border Controls	3730	Border Controls	0	28,984*	28,984	
		TOTAL Capital	79,202	30,568	109,770	2%

*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

BEL description	Revenue Budget £000	Capital Budget £000
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.

BEL description	Revenue Budget £000	Capital Budget £000
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 'Brexit 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.

BEL description	Revenue Budget £000	Capital Budget £000
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

BEL description	Revenue Budget £000	Capital Budget £000
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 Maine 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.

BEL description	Revenue Budget £000	Capital Budget £000
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

BEL description	Revenue Budget £000	Capital Budget £000
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.

BEL description	Revenue Budget £000	Capital Budget £000
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.

BEL description	Revenue Budget £000	Capital Budget £000
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 summarises 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 Changes 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 Changes for 2026-27	2026-27 Revised Baseline	2026-27 Revised Baseline Changes	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	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%
Total Develop and Deliver Overarching Policy, Programmes and Investment in Agriculture, Food and Fisheries			79,202	0	79,202	1,584	80,786	2%
Border Controls	3730	Border Controls	28,955	(28,955)	0	28,984	28,984	100%
Total Border Controls			28,955	(28,955)	0	28,984	28,984	100%
RURAL AFFAIRS & OCVO - TOTAL CAPITAL BUDGET			108,157	(28,955)	79,202	30,568	109,770	39%

Agenda Item 3

Document is Restricted

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



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MA/RE/2553/25

Andrew RT Davies MS
Chair – Economy, Trade and Rural Affairs Committee

4 November 2025

Dear Andrew,

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

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

We look forward to providing an update to the Committee at our oral evidence session on 26 November 2025.

Yours sincerely

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

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

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

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

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

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



Economy, Trade and Rural Affairs Committee

Evidence Paper on Draft Budget 2026-27 – Economy, Energy & Planning Main Expenditure Group

26/11/2025

This paper provides information on the Economy, Energy and Planning MEG budget proposals, that are relevant to this Committee, as outlined in the 2026-27 Draft Budget stage two published on 3 November. 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 19 November. 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 2026-27 Draft Budget

The table below provides an overview of the Economy, Energy and Planning MEG plans as published as part of the stage 2 Draft Budget 2026-27 on 3 November. This confirms increases in fiscal resource (including non-cash) of £9.8m and capital of £118m compared to the 2026-27 revised baseline.

Economy, Energy & Planning Summary	Plans as per 2025-26 Final Budget Restated February 2025	Baseline Adjustments for 2026-27	2026-27 Revised Baseline	Changes	2026-27 Draft Budget October 2025
	£000s	£000s	£000s	£000s	£000s
RESOURCE	498,250	14,712	512,962	9,830	522,792
CAPITAL	344,154	-122,807	221,347	118,286	339,633
Total Resource & Capital	842,204	-108,095	734,309	128,116	862,425
Total AME	66,252	0	66,525	0	66,525
ECONOMY, ENERGY & PLANNING	908,929	-108,095	800,834	128,116	928,950

The baseline used for the 2026-27 Draft Budget is the 2025-26 Final Budget restated (February 2025). This baseline has then been adjusted to remove any non-Barnett ring-fenced funding from HMT and one-off allocations made as part of the political agreement with Jane Dodds which are non-recurrent. Further allocations have been made as part of the baseline adjustments to support the 2025-26 public sector pay award and increases to National Insurance contributions, as well as adjustments for recurrent funding from 2025-26 and technical accounting adjustments.

An inflationary uplift has then been applied for both revenue and capital to reflect the latest Office of Budget Responsibility (OBR) growth forecasts.

A breakdown of baseline adjustments and additional allocations is provided within the Economy, Energy and Planning budget expenditure lines (BEL's) summary at **Annex A**.

Fiscal resource (revenue including non-cash)

Additional recurrent revenue funding of £9.8m is allocated to the Economy, Energy and Planning MEG in 2026-27 compared to the 2026-27 restated baseline. The additional allocations support an increase for public sector pay to reflect the OBR's wage growth forecast of 2.2% for 2026-27, for both Welsh Government staff and our arm's length bodies (ALBs), which will be subject to the usual pay negotiations and processes and to further support the increase in national insurance contributions costs. An additional £2.378m has been allocated in this budget to support our commitment to our apprenticeship programme and a further £2m has been allocated to Jobs Growth Wales plus to reflect the latest demand for the programme. A further £1.7m has been made available in this budget to support the costs associated with our key events such as Tour De France and Euro's 2028. This builds on the funding already allocated as part of the last budget setting process. An additional £1.4m has been allocated to the Creative Wales programme for the continuation of the Creative NDR Studios fund.

Capital

There has been a net increase of £118m capital into the Economy, Energy and Planning MEG in 2026-27 compared to the 2026-27 restated baseline, of which £76.375m will continue to support our city and growth deals activity. A further £10m is allocated to support Holyhead Breakwater. Additional allocations have been provided in this budget to support our lease costs and ALBs including the creative sector.

There are capital FT allocations in this budget totalling £30.1m to support our Holyhead Breakwater project £20.4m and our Development Bank of Wales £9.690m. There is a £2.6m reduction to our capital financial transactions which reflects the agreed repayment profiles in respect of loans issued in prior years.

Annually Managed Expenditure – AME

There has been no change to the AME budget when compared to the 2026-27 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 January 2025.

As requested by the Committee, a breakdown of the 2026-27 Draft Budget by Spending Programme Area, Action and Budget Expenditure Line, including 2025-26 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. Further detail on our approach regarding the Economic mission is covered later in this paper.

Description of Policies and Programmes by Budget Expenditure Line

A commentary explaining the changes to each Action and budget expenditure line (BEL) within the Economy, Energy and Planning 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. Similarly, the Creative, Arts, Heritage and Sport budgets have been excluded as they are being scrutinised by the Culture, Communications, Welsh Language, Sport, and International Relations Committee.

Process for Monitoring Budgets

All budgets continue to be monitored and challenged monthly during the 2025-26 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. I maintain very close monitoring to ensure funding is being invested where best needed whilst supporting our Government priorities.

Evaluation Reports

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 our decision making, for example:

A range of **employability** evaluations are undertaken:

- The evaluation of the Young Person's Guarantee was published on 30 September 2025. The final report reflected that good progress had been made towards supporting young people whilst recognising that more could be done to support those not engaged in education, employment and training and furthest from the labour market.
- The JGW+ evaluation was published in June 2025. The final report reflected that the contractors welcomed Welsh Government flexibility in altering the programme to meet changing circumstances and emerging evidence. It also noted that the programme and its related support are widely considered as accessible and impactful, particularly in relation to addressing mental health and wellbeing and in supporting young people in the development of 'soft skills'. As part of this budget, I have allocated an additional £2m revenue in 2026-27 to support our Jobs Growth Wales plus Programme.
- We are currently finalising the specification for the ReAct+ programme to evaluate the effectiveness of the programme from June 2022 to date. The evaluation will also examine wider redundancy support in Wales, and the findings will be used to further inform the development of future employability support. An evaluation of the ReAct 3 programme was published in July 2021, and we incorporated some of the recommendations of that evaluation into the design on the ReAct+ programme. The report recommended that the employer wage subsidy did not represent 'added value' and that the support be withdrawn or targeted at disadvantaged workers; since April 2024 ReAct+ employer support has been available only to employers who recruit a disabled person.

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 in Autumn 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 August 2025, as a direct result of the programme interventions, the Welsh Government has reported the following outputs:

- 5,422 one-to-one meetings between the Welsh Government's specialist International Trade Advisers and businesses in Wales.
- £397m of export sales secured as a direct result of Welsh Government export support.
- 80 overseas trade missions delivered, supporting 718 delegates.
- 403 export programme projects delivered, covering the International Trade Development, International Trade Opportunities and Rapid Deployment Service export market research programmes.
- 599 Overseas Business Development Visit grants provided to SMEs in Wales to visit and explore international markets and trade shows.

- 70 in-Wales export events providing support to businesses and supporting 5,525 delegates to build their export capability. This includes 7 Explore Export Wales Conferences in North and South Wales, working closely with partners across the Welsh Export Ecosystem.
- 5 cohorts of the New Exporter Programme delivered, supporting 68 businesses through the programme.
- Delivered 5 Export Clusters with 251 member companies across priority export sectors in Wales.

First Minister's Priority and Four Priorities in Economic Mission

This Draft Budget has been strategically allocated to deliver against the four national priorities set out in the Economic Mission and the First Minister's agenda, with a strong focus on supporting jobs, driving green growth, and building a resilient, inclusive economy.

Just Transition and Green Prosperity

Through Trydan Gwyrdd Cymru and Ynni Cymru, we are investing in renewable energy and developing local authority-level plans to deliver a 21st-century energy system—supporting a fair and green transition. The Development Bank of Wales Green Business Loan Scheme (GBLS) has helped support initiatives to deliver Just Transition. The scheme was initially launched in 2023 and has since received a funding boost, with the Welsh Government doubling the fund to £20 million. This extension ensures support is available through to 2028.

Platform for Young People, Fair Work, Skills and Success

We are prioritising employment and skills development in this budget through continued investment in our flagship apprenticeship programme. Our Young Person's Guarantee has helped 60,000 young people. We are embedding fair work principles across public sector planning and encouraging employers to improve job quality and equity. This reflects our commitment to enabling access to high-quality jobs and equipping people with the skills needed to thrive in a modern economy.

It is also recognised that full delivery of the Property Delivery Plan will provide capacity to accommodate more than 15,000 jobs.

Stronger Partnerships for Stronger Regions and the Everyday Economy

We continue to invest in city and growth deals and critical infrastructure such as the Holyhead Breakwater and the Morlais tidal energy project, safeguarding quality jobs in some of Wales' most deprived communities and strengthening regional economies. Investment Zones and Freeports are being developed to align with regional strengths in sectors like steel, advanced manufacturing, and clean energy.

Investing for Growth

Recognising the importance of exports and inward investment, we are delivering the Export Action Plan for Wales and advancing our International Strategy. Since the Strategy was published, (from April 2020), there have been 280 investments by foreign-owned companies which have created and safeguarded more than 24,000 jobs. Our efforts to attract new investment will be bolstered by the upcoming Wales Investment Summit.

Further investment for growth support, includes:

- **Infrastructure for Economic Growth**
Full delivery of the Property Delivery Plan will unlock capacity to accommodate over 15,000 jobs, directly contributing to our mission to create the conditions for sustainable economic growth.
- **Backing Welsh Businesses**
We are maintaining our support for Welsh businesses through Business Wales and expanding access to finance via the Development Bank of Wales, the Wales Angel Co-investment Fund, and the Wales Micro Loan Fund—ensuring diverse and inclusive economic participation.
- **Digital Transformation and Planning Reform**
Investment in digital connectivity and emerging technologies, including AI, will improve outcomes for citizens and enhance economic productivity. We are also addressing capacity and delays in the planning system to accelerate development.
- **Job Creation and Safeguarding**
Debt and equity investments by the Development Bank of Wales are projected to support over 4,000 jobs in 2025–26, with continued impact into 2026–27, reinforcing our commitment to job creation and economic resilience.

Impact of Increased Cost of Living and Doing Business

In recent months, the cost of delivering **business support** has increased significantly, primarily due to broader economic pressures and specific policy changes such as the rise in employer National Insurance contributions introduced in April. These additional costs have had a direct impact on contractor rates and associated delivery expenses.

Within the current budget envelope, it is no longer feasible to maintain the same level of outputs and activity as previously delivered. From a Business Wales perspective, we have thus far managed to sustain delivery and meet output expectations. However, if budget allocations remain static going forward, we will need to carefully assess and manage the implications of rising costs on our ability to continue delivering at the same scale and effectiveness.

When the Business Wales service evolved a few years ago, a strategic decision was made to utilise digital platforms to enhance delivery capacity. This approach enabled the continuation of output levels despite financial constraints, although it did result in a reduction in face-to-face engagement. While this digital-first model has proven effective in maintaining service levels, it is worth considering whether this approach remains appropriate in the current context, particularly as businesses face increasingly complex challenges that may benefit from more direct, personalised support.

Considering these pressures, direct support for businesses to help mitigate the impact of the increased cost of living includes:

- A **cost of doing business zone** on the Business Wales website brings together existing content and tools available to support businesses to reduce their use of resources and costs. This zone acts as the focal point for any future advice and support for businesses.
- **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.
- A Business Wales green ambition campaign helps businesses to improve their knowledge and understanding of resource efficiency. The campaign encourages businesses to take action to mitigate their impact on climate change and supports the Welsh Government ambition towards net zero economy. The **campaign** provides easy to access to digital content and interactive online events including a series of expert sessions.
- The **Green Growth Pledge** is part of the specialist sustainability support available through Business Wales and is open to all Welsh SMEs regardless of their industry sector. It provides a practical way for businesses to demonstrate their positive impact on the people and places around them and join a growing community of forward-thinking organisations. By signing the Green Growth Pledge each business makes a commitment to one or more actions to help them reduce impact or ensure sustainable performance. Businesses also gain access to a marketing toolkit specifically designed to provide practical information, guides and logos to help promote the actions they have taken to decarbonise and become more sustainable.
- The **Development Bank of Wales** helps Welsh businesses get the finance they need to start, strengthen and grow and provides loans from £1k to £10m from a range of funds which support decarbonisation activities. They also help

businesses find the right finance partner to leverage in private finance with its own gap finance when necessary.

- The **Development Bank Of Wales Green Business Loan Scheme** offers discounted interest rates and patient capital to support businesses undertaking energy efficiency and decarbonisation projects, It offers funding from £1,000 up to £1.5m. The Scheme also provides access to fully and part-funded consultancy support to carry out business specific energy audits.

Implications Relating to EU Transition

ESF provided £206m of funding to the apprenticeship programme between 2015 and 2023. The loss of access to post-EU funding for national projects through the Shared Prosperity Fund (SPF) 2021-2025, delivered directly between UK Government and local authorities, significantly impacted apprenticeship delivery from the 2024/25 contract year onwards with fewer apprentices.

It also impacted on the other employability provision including Communities for Work+, Jobs Growth Wales+ and ReAct+, given these had been significant beneficiaries of EU funding under the 2014-20 round of structural funds programmes, creating significant challenges for employability and skills support from 2024/25 onwards.

The loss of EU funding has had a significant adverse impact on our capacity to deliver sites and premises. Prior to the withdrawal of such funding up to 60% of the capital costs of bringing sites and premises forward had been secured through ERDF.

With decision-making for post-EU funding returning to the Welsh Government, £547m will be used to deliver a three-year 'Local Growth Fund' for Wales beginning from April 2026. The Welsh Government will be consulting this Autumn on investment proposals to support productivity growth and tackle economic inequalities across Wales as part of a joined-up approach to regional economic development in Wales, which can work alongside other regionally targeted investments for growth, including City and Growth Deals and Investment Zones.

Implementation of Legislation

The Senedd will consider the licensing of visitor accommodation following the introduction of the Development of Tourism and Regulation of Visitor Accommodation (Wales) Bill. Funding will be allocated to implement the licensing scheme once the Bill has progressed through the Senedd.

As the registration scheme will underpin both the licensing of visitor accommodation and the visitor levy, the funding being provided in the Economy, Energy and Planning

MEG, £0.200m revenue and £0.700m capital, earmarked for the development of the registration scheme will be directed to the Welsh Revenue Authority to combine with other earmarked funding for registration and visitor levy systems. Funding for the Welsh Revenue Authority sits within Central Services and Administration MEG.

Wellbeing of Future Generations (Wales) Act 2015

The social and economic costs of unemployment and economic inactivity can be considerable not only for individuals but also for the wider community. Hence the Welsh Government approach to our employability programmes (JGW+, CfW+, ReAct+ and Economic Inactivity Trailblazer) 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’.

Business Wales supports the well-being objectives of a more prosperous, resilient, and equal Wales that is globally responsive by helping to build an economy based on the principles of fair work, sustainability and the industries and services of the future; as well as helping to build a stronger, greener economy as we make maximum progress towards decarbonisation.

Business Wales delivers on our Economic Mission and provides business support to entrepreneurs, social enterprises, micro-businesses and SMEs across Wales to start, develop and grow. The wide range of activity includes decarbonisation, green growth, sustainability, fair work, supply chains and helping businesses to work co-operatively, as well as a digital offer.

Business Wales also supports the delivery of the Employability and Skills Plan and leads on the action to support young people into self-employment as part of the Young Person’s Guarantee. The service facilitates the Business Wales Recruit and Train frontline services for businesses to access information and advice on appropriate support from employability and skills and via the enhanced provision help employers access the appropriate apprenticeships.

Disabled People’s Employment Champions are supported by Business Wales Disabled People’s Employment Advisers, to provide advice, information and support to employers across Wales. The service also supports the delivery of the foundational economy’s Backing Local Firms Fund and provides a range of information, advice and support to help businesses work co-operatively to support local supply chains.

Equality, Sustainability and Welsh Language Impact Assessments

Our employability programmes 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. Our programmes are delivered bilingually. 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.

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 £2100 to cover care costs incurred during training. The programme also offers wage support of up to £4000 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.

The **Business Wales** Integrated Impact Assessment (IIA) was published in 2022. <https://www.gov.wales/business-wales-future-provision-impact-assessment.html>. The IIA considered the impacts of the Business Wales service across a range of areas including equality, sustainability and Welsh language and forms an integral part of its service provision.

Entrepreneurship is a key driver in the Welsh economy. Business support provision is an essential component to businesses starting or growing, ensuring the right advice is given and that businesses start and thrive within Wales' communities. The Welsh Government acts through the IIA to promote equality of outcome and the use of the Welsh language. This is done in a variety of ways including outreach activity as well as promoting the Welsh language through the service. Business support is available bilingually and Welsh speaking workshops are also delivered. Marketing materials and website content are bilingual. The language preference of those accessing the service

language is captured and those wishing to access the service through the medium of Welsh are assigned a Welsh speaking advisor.

The Business Wales service through the IIA provides support for individuals seeking to start a business and established SMEs looking to adopt or improve resource efficiency policies and practices. This service contributes to the following wellbeing goals:

- A prosperous Wales: an innovative, productive and low carbon society which recognises the limits of the global environment and therefore uses resources efficiently and proportionately (including acting on climate change); and which develops a skilled and well-educated population in an economy which generates wealth and provides employment opportunities, allowing people to take advantage of the wealth generated through decent work.
- A more equal Wales: a society that enables people to fulfil their potential no matter what their background or circumstances (including their socio-economic background and circumstance).

Traditionally employment rates are significantly lower for disabled people than non-disabled people. Business Wales supports the Disabled People Employment Champions (DPECs) and works closely together drawing on the access that Business Wales has to businesses and joining them with DPECS to further both employment of disabled people but also opening the conversation with businesses around the benefits of a diverse workforce.

Impact of Deprivation and Poverty

The employability programmes equip people with the skills and experience 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. Access to employment support services is widely recognised for its benefits in terms of social mobility, helping people out of poverty, improving mental health and physical health outcomes as well as being instrumental in helping people into green jobs to address the climate crisis and promote sustainable growth.

It is recognised that for many, entrepreneurship and running a business could be a route out of poverty or in-work poverty and can have significant positive impacts on wellbeing. The Welsh Government also recognises that if parents are in stable employment or self-employment, this will in turn have positive impacts on children currently living in poverty, resulting in higher levels of attainment throughout their lives.

Business Wales supports unemployed and economically inactive individuals that wish to start and run a business in Wales. Business Wales start-up and self-employment support includes workshops and one-to-one advice from a business adviser. 26% of the jobs that Business Wales has helped create were filled by those who were previously unemployed.

A Business Wales Participation Fund is available to provide financial support to help remove barriers to accessing services, such as paying for a childcare provider so that a single parent can attend a Business Wales workshop or paying for a translator so that an individual can understand a business advisor if they have language barriers.

By promoting fair work, Business Wales provides specialist support to enable businesses to take positive action through the Economic Contract across economic resilience, low carbon, fair work, and wellbeing. Business Wales provides support to businesses with HR planning, recruitment and retention to actively encourage SMEs to develop positive inclusion practices. This will ensure that the reach of Business Wales will not only be focused on supporting those starting or growing their business but will ensure businesses that are recruiting are aware of being a responsible business by creating an inclusive and supportive workplace. This will also have a direct impact on parents.

Social enterprises are driven by a social/environmental mission and reinvest profits into creating positive social change, and these values are a key component in breaking the poverty cycle and creating a positive change in communities of Wales. By continuing to fund support for social enterprises, the Welsh Government recognises that social enterprises often operate in the most deprived areas with most of the social enterprise workforce living within 10 miles of their offices. Social Business Wales complements the services provided by Business Wales and provides specialist advice and guidance to support the development of existing and new social businesses.

To support the Young Persons Guarantee, Big Ideas Wales as part of the Business Wales family, provides advice and support for young people looking to become self-employed. Big Ideas Wales offers a tailored programme of events, workshops and one-to-one advice to help young people build confidence in business, develop their ideas and support them to start a business.

A Young Person's Start-up Grant is available to support young people under 25 years of age to start a business. This grant particularly targets young people who are not in education, employment or training to start their own business, create a social enterprise, become self-employed, a freelancer or social entrepreneur in Wales.

Aligned to the Young Person's Guarantee, Business Wales has developed and promoted a series of digital resources to help engage, recruit and retain young people in employment, targeting micro and SME businesses. The resources raise awareness

of barriers young people face and help employers consider improvements in employment practices, the recruitment and on-boarding process, with guides and practical advice from other organisations. [Youth Employment | Business Wales Skills Gateway \(gov.wales\)](https://www.gov.wales/skills-gateway)

Demographic Changes – 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 apprenticeships start opportunities targeted during the previous Senedd Term (100,000).

Preventative Spending and Value for Money

Our budget proposal reflects 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. We have built on the last budget setting process to ensure funding is allocated to areas that are needed.

Our **employability programmes** 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. The right intervention can help to mitigate these impacts and 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.

- The ReAct+ programme supports people who have been impacted by redundancy 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.

The Employability programmes are regularly evaluated and flexibility in our delivery of the programmes allows us to ensure we regularly review value for money and make changes as needed.

The **Economic Contract** requires businesses seeking investment from the Welsh Government to demonstrate all of the following as a minimum requirement:

- Growth potential (measured for example, by contribution to employment, productivity, or multiplier effects through the supply chain).
- Fair work (as defined by the Fair Work Board).
- Promotion of health, including a special emphasis on mental health, skills, and learning in the workplace.
- Progress in reducing carbon footprint.

Business Wales Impact

Cardiff Business School was commissioned in Spring 2024 to provide an assessment of the economic outcomes associated with Business Wales activity between June 2021 to end March 2024.

Two main elements of the Business Wales services were examined. First, the new-start, core and growth support service and second the Accelerated Growth Programme (AGP). The report reveals that the interventions occurred during challenging economic times for Wales. The high-level commentary reveals that the period 2021-2024 was not an easy one for Welsh SMEs. The period has seen the aftermath of the Covid-19 pandemic and the resulting economic slowdown. While the economy recovered in 2021, it was then hit by a period of relatively high inflation which knocked through onto business confidence. Critically, UK government intervention to bring inflation closer to 2.0% had the effect of reducing activity in the UK economy.

The Business Wales interventions over the period 2021-2024 occurred in the context of Welsh SMEs facing uncertainty and poor confidence, and with macroeconomic conditions not providing the best climate for business investment and sales growth.

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.

Specific Areas

Economy

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

Allocations to support businesses, including details of how these assist SMEs and larger businesses;

The financial allocation to support businesses in 2026-27 is £98.545m. £61.945m from the Business & Regions Economic Development BEL 3751, £22.5m from the Business Wales BEL 3901, £10.3m from the Business Innovation BEL 3742 and £3.8m Export & Trade BEL 3754.

The Welsh Government supports SMEs and larger business through a range of business support programmes and services, including:

- Information, guidance and advice on areas such as business planning, HR and fair work, decarbonisation, export, supply chain activity and best practices via Business Wales. Support for SMEs to secure contracts and reduce costs via Sell2Wales.
- Access to finance through the Development Bank of Wales which bridges finance gaps through loans, and equity especially for SMEs and micro businesses underserved by mainstream lenders. The Welsh Government also has a dedicated fund through the Economy Futures Fund.
- Innovation and technology support for digitalisation, R&D and the adoption of new technologies.
- Export and Internationalisation support services connect businesses to global opportunities, offering tailored guidance and practical tools to help Welsh firms expand internationally.
- Sector forums, encourage knowledge-sharing, fostering partnerships between businesses, academia and the public sector.
- Signposting through Business Wales who deliver a single point of contact, ensuring businesses can swiftly access the most relevant support without unnecessary duplication or confusion.
- Sector-specific programmes such as food, creative, tourism, construction, foundational economy.

- Skills and innovation support including Flexible Skills Programme, SMART Cymru, Circular Economy Fund. The Flexible Skills Programme provides 50 percent grant funding to support employers' upskilling costs and funding is available to businesses of any size.
- Place-based growth through regional teams, property investment and foundational economy initiatives.
- Specific project-based intervention from Arfor to GCRE.

In addition, in 2026-27 £7.531m from the Employability inc. Young Person's Guarantee BEL will be allocated to the Flexible Skills Programme FSP which provides 50 percent grant funding to support employers' upskilling costs and funding is available to businesses of any size.

Allocations to support property infrastructure and development of employment sites

The capital allocation of £34.459m and resource allocation of £2.268m in the Draft Budget 2026-27 will allow our continued investment in commercial property, where there is evidence of market failure. It will allow us to attract and retain investment that would not otherwise come to or reinvest in Wales, while influencing commercial decisions to achieve broader social, economic and environmental objectives. In collaboration with public and private partners we aim to deliver 150,000 sq. ft. per annum of new commercial floor space, together with investment ready employment sites, in line with the funding available for the Property Delivery Plan.

Details of allocations to support regional economic development, including the Local Growth Fund, Tech Valleys, Freeports and Investment Zones

Tech Valleys

Tech Valleys has a budget allocation of £5m capital and £1.76m revenue. The Tech Valleys programme will be support regional economic development through all its activities - a range of individual projects spanning infrastructure, business growth and skills. Examples of working directly with businesses are:

- the Business Productivity Enhancement Project (BPEP) – a commitment of £2.2 million capital over three years to March 2028;
- Hartree Centre – Tech Valleys Pathfinder – revenue £95,000 over two years to August 2026;
- In partnership with Blaenau Gwent CBC, co-funding a business advisor at the Goldworks enterprise hub (built with Tech Valleys funding) £79,578 over two financial years to March 2028;

The Tech Valleys programme is also working to prepare and bring to market the remaining land parcels on the Rhyd-y-Blew site, and other locations on the Works site in Ebbw Vale. The large-scale investments to-date include the Lime Avenue units, Regain 1 and 2, and the former Techboard building now called Tech Valleys House. This investment strand has achieved over 298,000 sq. ft. of new or returned floor space for businesses. The Tech Valleys programme is currently working with Cardiff Capital Region and the Northern Valleys Initiative to identify and help bring forward collaborative sites and premises projects.

The third strand of the Tech Valleys programme is investment in skills development. The programme funds a wide range of place-based skills-related projects designed both to raise awareness of the career opportunities available to young people taking on STEM subjects, and to help build a robust talent pipeline of employees in future-looking jobs. Examples of this work include:

- STEM Facilitation - revenue commitment of £95,000 over four years to March 2028;
- WVEP and TiW:WV – Commitment (revenue and capital) over the life of the Tech Valleys programme of £349,697 (2021 to 2024) and £397,000 (2024 to 2028). This amount has been match-funded by the Panasonic Trust.
- HiVE hubs and HiVE – To-date £1.5 million has been invested in HiVE hubs in schools across the Tech Valleys area. HiVE is a multi-million-pound facility for aspiring engineers that will equip young people with the skills and experience needed for careers in the industries of the future. The Tech Valleys programme invested almost £5 million to enable the design development and delivery, helping to secure UKG levelling-up funding of £10.8 million. The official launch is planned for 3rd November 2025.

The Tech Valleys programme is helping to create an environment where new businesses can have confidence to locate to the northern South Wales Valleys and existing businesses will be able to grow.

Freeports

The Welsh Freeport Programme is a joint initiative between the Welsh Government and UK Government aimed at unlocking Wales' economic potential through the strategic development of designated Freeports of Celtic and Anglesey Freeport.

The programme is designed to:

1. Promote regeneration and high-quality job creation
 - Support economic development in coastal and deprived areas.
 - Create sustainable, well-paid employment opportunities.

2. Establish Freeports as national hubs for global trade and investment
 - Enhance Wales' position in international trade.
 - Attract foreign and domestic investment into key sectors.
3. Foster an innovative environment
 - Encourage research, development, and collaboration.
 - Support green growth and the transition to a low-carbon economy.

Businesses in Freeport zones can benefit from:

- Simplified customs procedures
- Relief on customs duties
- Tax incentives

Freeports must align with:

- The Well-being of Future Generations (Wales) Act 2015
- Net zero commitments
- Fair work and social partnership principles, ensuring workers are fairly treated and represented.

In addition to the tax incentives, the Freeport Programme includes a total of £50m of seed capital from the UK Government to support delivery of the two Freeports in Wales. For financial year 2026-2027, the UK Government has indicated that £18m will be allocated for both Freeports. The process for transferring this funding has not been confirmed yet.

Anglesey Freeport will focus on a number of key projects in 2026-27. This will include:

- Decarbonisation activity.
- Infrastructure improvements and enabling/remediation of brownfield sites.
- Capital investment in new build for innovation and R and D activities; and
- Critical road highway improvements for key sites.

Celtic Freeport projects will include focus on enabling works and infrastructure improvements, and support growth in renewable energy and advanced manufacturing.

Investment Zones

The Investment Zones Programme is designed to support the growing strengths in UK government and Welsh Government priority sectors, increasing productivity, driving innovation, and helping address economic disparities that persist between and within regions.

The Programme is being jointly delivered by the UK and Welsh Governments, with the one Investment Zone located in the Cardiff and Newport travel to work area, and the other in the Wrexham and Flintshire travel to work area. A Memorandum of Understanding sets out how both governments will work together and details the funding arrangements to deliver Investment Zones in Wales.

The UK government will make available a funding envelope of £320m available to the two Welsh Investment Zones (£160m each) between the 2025-2026 and 2034-2035 financial years (a period of 10 years). The funding envelope can be used flexibly between spending and a single tax incentive package, scalable based on the number and size of sites.

Each Investment Zone will receive up to £160 million flexible spend (split 40:60 between resource (RDEL) and capital (CDEL) spending). The costs of any tax incentives the Investment Zone opts to take up will be subtracted from this £160m over the 10-year window of the programme.

UKG are finalising allocations for both Investment Zones for 2026-27. Indicative allocations will see Flintshire and Wrexham Investment Zone receive circa £14m and Cardiff Capital Region circa £13m.

Both Investment Zones are at different stages of business case sign off and will be presenting more detail on next year's activity in Annual Delivery Plans during 2025/26. They will focus on four main areas of activity:

- Infrastructure
- Skills
- Innovation/R and D
- Business Support

The Flintshire and Wrexham Investment Zone builds on its nationally important cluster of advanced manufacturing, growing and transforming the sector to meet the needs of the future and increasing its economic benefits through employment and driving up productivity and pay. The Investment Zone will also have spatial focus on a number of key strategic sites including Deeside and Wrexham Industrial Estates, Warren Hall and land surrounding Hawarden Airport.

The Cardiff and Newport Investment Zone will drive innovation and growth across the advanced manufacturing and digital and technology sectors, with a focus on the region's compound semiconductor cluster.

Both programmes have robust business case processes and monitoring and evaluation arrangements to assess critical Value for Money considerations.

Local Growth Fund

A new Local Growth Fund for Wales, worth £547m, will be for a three-year period beginning from April 2026 and will deliver against the Welsh Government's *Economic Mission* and the UK Government's agenda for growth. An Investment Plan will be developed and delivered by the Welsh Government in partnership with local government and the private, higher and further education, and third sectors.

Later this month, the Welsh Government will consult on the best way to use this funding. The consultation will focus on how best to:

- create and grow Welsh businesses in key sectors and boost investment in research and innovation, in areas such as health and bio-tech, financial technology, low carbon energy and Artificial Intelligence;
- support people into work and help people gain new skills and qualifications to progress into higher paid jobs so a larger proportion of our population is employed; and
- address the issues that are holding back growth, such as the need for key sites and premises, renewable and low-carbon energy generation, energy efficiency, digital connectivity, and low-carbon transport.

Allocations to support the individuals and communities impacted by Tata's decision to halt primary steel making in Port Talbot, to supplement the funding provided by the UK Government

There is no specific budgetary provision for the individuals and communities impacted by Tata Steel's decarbonisation project. However, the Welsh Government's business as usual support activities such as the £7.095m ReACT+ budget provides sufficient budget to manage any carry over of demand from those impacted by redundancies from Tata Steel UK and the supply chain into 2026-27. The Communities for Work+ planned budget of £16.834m which is delivered through grant funding across all 22 Welsh local authorities for 2026-27 provides intensive employability support to people most disadvantaged in the labour market from a range of community venues.

Financial allocations to support the foundational economy

There is an annual allocation of £1m to promote and support the objectives of the Foundational Economy (FoEc) mission statement which was published in April;

£0.500m of the budget is directed into Business Wales BEL 3901 to mainstream Foundational Economy principles into business support. Through this work this year, the following activities have been delivered:

- Two Expos connecting FoEc businesses with major private and public sector purchasing organisations. The first held in Swansea attracted almost 900

registered attendees and 65 exhibitors, an increase of the first such event held last year. The north Wales Expo will take place on 16 October.

- Four regional events to develop local business capability to engage with the new procurement legislation, attracting 549 attendees.

Through FoEc project activity, we have worked with stakeholders in the food, housing and transport sectors. These interventions are helping nurture local supply chains and sustain and create local employment. These projects involve:

- Further rolling out our support to accredit contractors in the housing sector;
- Scaling up the Welsh Veg in Schools project;
- Trial salad bar options in a selection of secondary schools; This model is used in Malmo, Sweden ensuring healthy eating in schools and increasing use of local and seasonal produce;
- Through Constructing Excellence Wales, progress a range of initiatives to support the FoEc, including promotion of the use of Project Bank Accounts to ensure prompt payment for smaller suppliers, supporting the construction sector to enhance its digital capability, and providing
- key intelligence to inform future work plans; and
- Build on the successful Food Communities of Practice and establish new networks in other key FoEc sectors to encourage innovation and share learning.

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 will continue to offer finance for businesses to start up and grow, in line with our Programme for Government pledge to expand the use of patient capital in the form of debt and equity investment.

DBW is supporting the changes needed to business behaviours to meet net zero goals, embed net zero credentials in existing funds and working with third parties to consider new fund solutions. The bank has piloted a Green Homes Wales scheme using capital allocated through the Housing and Local Government MEG. The scheme offers interest-free finance to owner-occupiers who are able to invest in energy efficiency and low carbon heating solutions but lack the up-front capital. The scheme delivers on the commitments in Net Zero Wales: Carbon Budget 2 and the actions set out in the Heat Strategy for Wales.

The bank has established a Green Business Loan Scheme (GBLS) - Since 2023 to June 2025 this has provided over £7.9m of repayable finance to small and medium-sized enterprises to invest in energy-saving technologies. The Scheme has recently been extended, providing businesses with advice and support as well as funding to undertake energy efficiency improvements, reducing their carbon emissions.

The draft budget for 2026-27 allocates Financial Transactions capital from the Economy, Energy and Planning MEG to the Development Bank of Wales so that DBW can continue to:

- offer micro-loans to small businesses, sole traders and social enterprises based in or willing to move to Wales through the Wales Micro Loan Fund
- extend the Green Business Loan Scheme
- invest in the businesses of the future through business Angel Investment activity, leveraging further investment from private investors and syndicates, and
- prevent profitable business from leaving Wales by enabling management buyouts through the Wales Business Succession Fund, which supports employee ownership of businesses and is co-funded by the Clywd Pension Fund

The Welsh Government remains in negotiation with HMT regarding the handling of the budgetary implications arising from the reclassification of the bank. At this stage the Welsh Government is managing these implications from within existing resources.

Financial allocations to Business Wales

£22.5m has been allocated in this budget for the Business Wales service from April 2026 until March 2027 to deliver a proactive entrepreneurship and SME business support service.

Business Wales aims to make it easier for Welsh micro-businesses and SMEs including social enterprises, and aspiring entrepreneurs of all ages to access the information, advice and support they require to start, sustain and grow their businesses. The service helps new entrepreneurs, existing micro-businesses and SMEs to build more resilient businesses and develop their business practices as well as improving productivity and stimulating business growth in an inclusive and sustainable way, through improved investment, export and the creation of good quality employment.

Business Wales provides businesses and entrepreneurs with a single point of contact for business information, advice and support from the public, private and voluntary sectors, and is accessed digitally via <http://businesswales.gov.wales> and social media channels and the 03000 6 03000 helpline. The service offers 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. Business Wales plays a key part in ensuring that entrepreneurs and businesses can navigate the business support landscape in Wales to access the most appropriate support for them.

Business Wales provides entrepreneurs and businesses with access to a wide range of impartial information, advice and guidance to help them start and grow. Support includes general business advice; equality and fair work; resource efficiency; international trade; mentoring and digital exploitation. Bespoke support is also provided to help businesses access more procurement opportunities; improve marketing and sales; access finance; employment, HR and skills advice.

Business Wales provides support to businesses through five key themes of work:

- **Business Wales Digital and** helpline services provide 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 entrepreneurs and the existing business community in Wales through the provision of dedicated advice, support and focussed relationship management. The service provides business advice and specialist support to help businesses create opportunities for employment, access finance, seek new markets and improve business practices and their productivity. Specialist support focusses on improving SME practices on decarbonisation, supply chains and employment practices and fair work, providing a connection to skills support and apprenticeships.
- **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. The support focusses on opportunities to export, innovate, improve productivity, increase employment, access to finance and is delivered by skilled coaches and mentors, 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.

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

Following the decision not to renew Industry Wales' term of Government remit letter, and the effective closure of the organisation at the end of March 26, consideration will need to be given to costs associated with winding up of the organisation and alternative arrangements that may be put in place to provide services to WG as and when required.

The Defence Growth Deal Wales (DGDW), announced in the Defence Industrial Strategy (DIS), gives access to a £250M fund to support the existing defence sector, especially SMEs and encourage new entrants into the defence supply chain. Wales' asks are being defined, this may require in kind or direct contribution from WG especially where benefits are felt beyond the defence supply chain such as civil aerospace, civil space and automotive applications. The DGDW will require additional resource to set up and manage, it's not yet known if these costs could be covered via programme funds from the DGDW. The DIS also contained announcements on regional defence and security clusters (RDSCs), and additional funding for skills and defence technical colleges which are being explored with MOD.

The B2B events programme requires funding in order to deliver attendance at key, high profile global events in sectors including energy, automotive, aerospace, defence, security and space. These events help to raise Wales' international profile as well providing a cost-effective mechanism for individual companies to grow their domestic and international sales.

There are external threats to the UK Steel Sector such as energy prices, global over capacity, trade barriers and tariffs. We are supporting the sector through working with UK Government, steel companies, trade unions and the Steel Council on establishing a Steel Strategy that will take account of the various external and policy issues facing the sector as well as identifying areas for investment.

Tata Steel UK (TSUK) is currently undertaking a transition away from blast furnace steelmaking to cleaner, greener electric arc furnace steelmaking. This is one of the largest industrial transition projects in the UK as well as the largest investment in the steel industry for decades and is aimed at safeguarding the UK's steel sovereignty. The project will reduce the UK's entire industrial carbon emissions by 8% (and Port Talbot's by 90%) while setting a benchmark in circularity by utilising UK scrap.

The transition period brings challenges, but also opportunities for local suppliers in helping to bring about the changes required to establish a new technology. Once the transition is complete both Welsh-based steel producers, 7 Steel UK and TSUK will be providing steel through scrap metal fed electric arc furnaces.

The Welsh Government is working closely with the TSUK Transition Board to provide information, advice and support for those employees, families and communities impacted by the transition.

The allocations to deliver Welcome to Wales: priorities for the visitor economy 2020-25, including the ‘Wales Tourism Investment Fund’ and ‘Brilliant Basics Fund’

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 can create positive impact on growing the sector and Welsh economy. WTIF will continue to support eligible capital projects during 2026-27 which will enhance the tourism offering of Wales by supporting our new strategy for the sector.

The Brilliant Basics fund runs over two years, and the current round started in 2025, so will continue for 2026-27. 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.

We will consider the use of small grant interventions to assist private tourism businesses across Wales.

We will introduce a scheme to develop cycling tourism infrastructure in 2026-27. This will allow us to leverage the “year of cycling” opportunity that the arrival of the Tour de France will bring to Wales.

Any allocations in relation to the visitor accommodation regulation 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) under the Visitor Accommodation (Registration and Levy) Etc (Wales) Act 2025. This funding complements funding allocated to WRA in the Central Services and Administration Main Expenditure Group. This continues the approach which was established as part of the last budget setting process.

The registration scheme will underpin both the visitor levy and the licensing of visitor accommodation, which will be considered by the Senedd following the introduction of the Development of Tourism and Regulation of Visitor Accommodation (Wales) Bill. Funding will be allocated to implement the licensing scheme once the Bill has progressed through the Senedd.

Allocations to each of the four city and growth deals

We are continuing to invest in supporting city and growth deals. This support signals ongoing transformational investment across Wales to deliver sustainable skilled jobs and infrastructure and to communities across Wales. The Draft Budget 2026-27 has allocated £22m for the four deals. The UK Government has provided a further £76.4m, bringing the total planned investment in 2026-27 to £98.4m across the four deals. This contribution supports regional committees to deliver the outcomes and outputs identified in the deal agreements, and the relevant portfolio business cases.

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

There is no financial support allocated in this budget to the delivery of the Retail Action Plan over and above Welsh Government staff time allocated to retail policy.

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

The Flexible Skills Programme (FSP) continues to provide opportunities for businesses to invest in themselves by upskilling and reskilling their employees to support their ability to grow and thrive. FSP offers 50% training cost support to employers, with a dedicated net zero strand. Through FSP we are supporting skills in engineering, manufacturing, and sustainability. We have allocated £7.531m to FSP for 2026-27.

Apprenticeships remain a cornerstone of the Welsh Government's skills strategy. The focus of the apprenticeship programme is on:

- STEM and net-zero sectors
- Higher-level technical routes
- Degree apprenticeships in construction, rail, digital, and engineering.

An additional allocation of £2.386m has been made available in this budget to support our apprenticeship programme.

Business Wales provides a range of general business advice, information and signposting as well as specialist strands of advice such as resource efficiency to

support businesses. Business Wales offers a wide range of advice and support on resource efficiency, managing finance, green policies and practices as well as workshops.

Decarbonisation Advisers 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.

A Business Wales green ambition campaign helps businesses to improve their knowledge and understanding of resource efficiency. The campaign encourages businesses to take action to mitigate their impact on climate change and supports the Welsh Government ambition towards net zero economy. The campaign provides easy access to digital content and interactive online events including a series of expert sessions.

The Green Growth Pledge is part of the specialist sustainability support available through Business Wales and is open to all Welsh SMEs regardless of their industry sector. It provides a practical way for businesses to demonstrate their positive impact on the people and places around them and join a growing community of forward-thinking organisations. By signing the Green Growth Pledge each business makes a commitment to one or more actions to help them reduce impact or ensure sustainable performance. Businesses also gain access to a marketing toolkit specifically designed to provide practical information, guides and logos to help promote the actions they have taken to decarbonise and become more sustainable.

A cost of doing business zone on the Business Wales website brings together existing content and tools available to support businesses to reduce their use of resources and costs. This zone acts as the focal point for any future advice and support for businesses.

The **Development Bank of Wales** Green Business Loan Scheme offers discounted interest rates and patient capital to support businesses undertaking energy efficiency and decarbonisation projects, It offers funding from £1,000 up to £1.5m. The Scheme also provides access to fully and part-funded consultancy support to carry out business specific energy audits.

The Welsh Government has produced business decarbonisation guidance which provides an overview of the strategy, policy, and funding for business decarbonisation in Wales. Resources relating to Carbon Capture Technology and Land Management Approaches for Net Zero are available on the Farming Connect website.

The Welsh SMART programmes provide specialist advice and funding for businesses to develop new products and processes that result in decarbonisation. The programmes have access to a wide range of funding mechanisms for Research & Development (R&D) and process improvements and employ a team of manufacturing and design advisors. Any business seeking support for R&D related to decarbonisation in Wales should start by contacting their local Innovation Specialist.

The Economic Contract requires businesses seeking investment from the Welsh Government to demonstrate all of the following as a minimum requirement:

- Growth potential (measured for example, by contribution to employment, productivity, or multiplier effects through the supply chain).
- Fair work (as defined by the Fair Work Board).
- Promotion of health, including a special emphasis on mental health, skills, and learning in the workplace.
- Progress in reducing carbon footprint.

Research, Development and Innovation

Details of any funding during 2026-27 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

The five priorities date back to 2021 and have been superseded by our innovation strategy, Wales Innovates. Although no budget has been hypothecated for increasing Wales' share of available RD&I at a UK & European level, all interventions will consider this measure. The Strategy's accompanying Delivery Plan sets out targets and milestones for this activity.

Details of any funding during 2026-27 intended to resource the Innovation Strategy for Wales

As above, all Innovation funding interventions will be considered against their relevance to, and effectiveness in contributing towards the four Missions highlighted in the Strategy.

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

£10m capital has been allocated for research and innovation within the Business Innovation BEL 3742. Other departments in the Welsh Government also allocate funding for research, development and innovation either as part of ring-fenced budgets or on an ad-hoc basis. In 2024 the ONS Government Research and Development

Survey (GovERD), cited the latest 2022 figures for Welsh Government expenditure on research and development as £44m, up from £36m in 2021.

Trade

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

My officials in the Trade Policy team lead on the work relating to the UK EU Trade and Cooperation Agreement (TCA), within the Welsh Government. The May 2025 UK-EU Summit, led to the agreement of the 'Common Understanding' and a set of new significant negotiation strands to improve our relationship with the EU. The team engages with UK Government on implementation of the existing agreement, such as our attendance at TCA committees and co-ordinating the engagement for the new negotiations in areas such as Sanitary and Phyto-Sanitary policy. Advice is also provided 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.

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

My officials lead on engaging with UK government on the negotiation of new Free Trade Agreements (FTAs) and co-ordinates 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).

We do not believe there will be primary legislation needed to implement the most recently signed FTA (UK India), with secondary legislation being used instead to make relevant changes. As with work on the TCA, my officials also engage with the 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 publication of the International Delivery Plan in April 2025

We have allocated £3.752m as part of this budget for Export, Trade and Inward Investment. This budget includes £3.572m to deliver the Export Action Plan for Wales and £0.180m to support our efforts to promote Wales as a destination for inward investment.

The International Delivery Plan reiterates the commitments in the International Strategy and Export Action Plan to grow the economy by increasing exports and attracting inward investment. It does not place any direct implications on existing budgets.

Details of allocations to attract inward investment into Wales

The £3.572m funding allocated to deliver the Export Action Plan in 2026-27 will ensure we have a range of export programmes delivered 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 £17.1bn in the year ending June 2025, down £1.5 bn (8.2%) compared to the year ending June 2024. This demonstrates the importance of providing comprehensive support to Welsh businesses to develop to drive growth in Welsh exports.

The £0.180m funding allocated to deliver activity to promote Wales as a location for inward investment ensures we can continue to promote sectors where Wales has recognised capabilities and growth potential on the global stage.

Annexes

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

Budget Expenditure Line (Revenue)		Plans as per 2025-26 Final Budget Restated February 2025	Baseline Adjustments for 2026-27	2026-27 Revised Baseline	Changes	2026-27 Draft Budget October 2025
		£000s	£000s	£000s	£000s	£000s
Business & Regional Economic Development		5,394	28	5,422	9	5,431
Business & Regional Economic Development – Non-cash		700	0	700	0	700
Business Wales		22,437	36	22,473	40	22,513
Tech Valleys		1,760	2	1,762	0	1,762
Valleys Task Force		102	2	104	0	104
Export, Trade and Inward Investment		3,752	1	3,753	0	3,753
Action:	Business Wales / Entrepreneurship and Regional Economy	34,145	69	34,214	49	34,263
Business Finance Funds		0	312	312	51	363
Business Finance Funds - Non-cash		1,500	0	1,500	0	1,500
Action:	Total Development Bank Wales	1,500	312	1,812	51	1,863
Property Infrastructure		2,268	0	2,268	0	2,268
Property Infrastructure – Non-cash		13,600	0	13,600	0	13,600

Public Sector Broadband Aggregation	12,506	11	12,517	1	12,518
ICT Infrastructure Operations	868	0	868	0	868
ICT Infrastructure Operations – Non-Cash	2,324	0	2,324	0	2,324
Action: Economic Infrastructure Development	31,566	11	31,577	1	31,578
Digital Strategy for Wales	4,436	2,556	6,992	83	7,075
Action: Total Delivering the Digital Strategy	4,436	2,556	6,992	83	7,075
Healthy Working Wales	100	0	100	0	100
Corporate Programmes & Services	513	1	514	1	515
Strategic Business Events and Communications	65	0	65	0	65
Action: Corporate Programmes	678	1	679	1	680
Apprenticeships	143,902	4	143,906	2,386	146,292
Action: Apprenticeships	143,902	4	143,906	2,386	146,292
Employability Including Young Persons Guarantee	109,857	800	110,657	2,683	113,340
Employability Including Young Persons Guarantee – Non-cash	2,330	0	2,330	0	2,330
Action: Employability Including Young Person Guarantee	112,187	800	112,987	2,683	115,670
Business Innovation	309	48	357	5	362
Action: Innovation	309	48	357	5	362
Science	938	4	942	1	943
Action: Science	938	4	942	1	943
Tourism	9,141	19	9,160	2	9,162
Tourism - Non-cash	20	0	20	0	20

Events Wales		5,169	5	5,174	1,708	6,882
Creative Wales		7,008	1	7,009	1,400	8,409
Creative Wales - Non-cash		10	0	10	0	10
Action:	Promote and Protect Wales' Place in the World	21,348	25	21,373	3,110	24,483
Programme Support		1,761	17	1,778	2	1,780
Action:	Managing European Funding	1,761	17	1,778	2	1,780
Cardiff International Airport		-3,000	0	-3,000	0	-3,000
Action:	Total Cardiff International Airport	-3,000	0	-3,000	0	-3,000
NEW BEL NAME						
Licensing of Visitor Accommodation		200	0	200	0	200
Action:	Licensing of Visitor Accommodation	200	0	200	0	200
Green Energy		8,457	33	8,490	33	8,523
Ynni Cymru		2,470	0	2,470	0	2,470
Action:	Energy Efficiency	10,927	33	10,960	33	10,993
Social Partnerships		900	8	908	11	919
Action:	Social Partnership	900	8	908	11	919
Planning and Environment Decisions Wales		4,968	86	5,054	92	5,146
Planning and Regulation Expenditure		3,846	14	3,860	13	3,873
Action:	Planning and Regulation	8,814	100	8,914	105	9,019
Arts Council of Wales		33,314	153	33,467	55	33,522
Arts Council of Wales - Non cash		119	0	119	0	119

Amgueddfa Cymru - National Museums of Wales		27,222	756	27,978	526	28,504
Amgueddfa Cymru - National Museums of Wales - Non cash		3,300	0	3,300	0	3,300
National Library of Wales		11,862	240	12,102	262	12,364
National Library of Wales - Non cash		2,368	0	2,368	0	2,368
Support for Local Culture and Sport		8,135	1,777	9,912	24	9,936
Action:	Support for Culture and the Arts	86,320	2,926	89,246	867	90,113
Cadw		9,501	7,633	17,134	348	17,482
Cadw - Non cash		5,480	0	5,480	0	5,480
National Botanic Garden of Wales		587	0	587	0	587
Royal Commission on the Ancient and Historical Monuments for Wales		1,773	42	1,815	43	1,858
Royal Commission on the Ancient and Historical Monuments for Wales - Non cash		134	0	134	0	134
Action:	Support the Historic Environment	17,475	7,675	25,150	391	25,541
Sports Wales		23,065	123	23,188	51	23,239
Sports Wales – Non cash		779	0	779	0	779
Action:	Sports and Physical Activity	23,844	123	23,967	51	24,018
MEG:	ECONOMY, ENERGY AND PLANNING	498,250	14,712	512,962	9,830	522,792

Budget Expenditure Line (Capital)		Plans as per 2025-26 Final Budget Restated February 2025	Baseline Adjustments for 2026-27	2026-27 Revised Baseline	Changes	2026-27 Draft Budget October 2025
		£000s	£000s	£000s	£000s	£000s
Business & Regional Economic Development		56,650	-30,000	26,650	30,400	57,050
Business & Regional Economic Development - Repayment		-1,157	1,157	0	-1,236	-1,236
Tech Valleys		5,000	0	5,000	0	5,000
Action:	Business Wales / Entrepreneurship and Regional Economy	60,493	-28,843	31,650	29,164	60,814
Business Finance Funds		9,500	-9,500	0	9,690	9,690
Business Finance Funds – Repayment		-11,000	11,000	0	0	0
Action:	Development Bank of Wales	-1,500	1,500	0	9,690	9,690
Property Infrastructure		33,379	0	33,379	1,450	34,829
Property Infrastructure - Repayment		-365	365	0	-370	-370
ICT Infrastructure operations		20,000	0	20,000	0	20,000
Action:	Economic Infrastructure Development	53,014	365	53,379	1,080	54,459
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
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		6,500	-500	6,000	500	6,500
Creative		7,000	0	7,000	500	7,500
Action:	Promote and Protect Wales' Place in the World	13,500	-500	13,000	1,000	14,000
Cardiff International Airport		1,783	0	1,783	0	1,783
Action:	Cardiff International Airport	1,783	0	1,783	0	1,783
Licensing of Visitor Accommodation		700	0	700	0	700
Action:	Licensing of Visitor Accommodation	700	0	700	0	700
City and Growth Deals		110,477	-88,477	22,000	76,375	98,375
Action:	City and Growth Deals	110,477	-88,477	22,000	76,375	98,375
Green Energy		12,400	0	12,400	0	12,400
Ynni Cymru		10,000	0	10,000	0	10,000
Action:	Energy Efficiency	22,400	0	22,400	0	22,400
Arts Council of Wales		400	0	400	500	900
Amgueddfa Cymru - National Museums of Wales		5,000	0	5,000	500	5,500
National Library of Wales		2,000	0	2,000	250	2,250
Support for Local Culture and Sport		32,800	0	32,800	0	32,800
Action:	Support for Culture and the Arts	40,200	0	40,200	1,250	41,450
Cadw		16,321	-7,352	8,969	227	9,196
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	16,571	-7,352	9,219	227	9,446

Sports Wales		10,016	0	10,016	500	10,516
Sports Capital Loan Scheme		-500	500	0	-1000	-1000
Action:	Sports and Physical Activity	9,516	500	10,016	-500	9,516
MEG:	ECONOMY, ENERGY AND PLANNING	344,154	-122,807	221,347	118,286	339,633

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

Resource

Business Wales / Entrepreneurship and Regional Economy Action

The total funding for the Action for 2026-27 stands at £34.263m. There has been a positive baseline adjustment of £0.069m which relates to the 2025-26 public sector pay award and increases to national insurance contributions. A further increase of £0.049m has been made available in 2026-27 as additional support to reflect the OBR's wage growth forecast of 2.2% and to further support the increase in the national insurance contributions costs.

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 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

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.

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 - BEL

- Additional funding of £0.051m compared to the revised baseline 2026-27 has been allocated in this budget to further support the increase in national Insurance contributions costs. There has also been a baseline adjustment for 2026-27 of £0.312m to support the 2025-26 National Insurance contributions costs.

Business Finance Funds - Non-cash BEL

- The non-cash BEL remains at £1.5m in 2026-27 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 had a very small increase of £0.001m compared to the 2026-27 revised baseline. The increase is due to further support to cover the increase in the National Insurance contributions costs. In addition, there has been a baseline adjustment of £0.011m due to the difference in the 2025-26 public sector pay award and increase in national insurance contributions.

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. 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.

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.

Delivering the Digital Strategy Action

There have been several baseline adjustments to this Action as part of the 2026-27 budget. There has been an increase of £0.056m to support the public sector pay award for 2025-26 and increased national insurance contributions costs. In addition, there has been an increase of £2.5m to support our commitment to AI. An additional £0.083m has been allocated in 2026-27 compared to the revised baseline to reflect the OBR's wage growth forecast of 2.2% for 2026-27

Digital Strategy for Wales BEL

- Funding within this BEL relates to the delivery of activity to support Mission 1 of the Digital Strategy for Wales including, up until 2025-26, the budget for activities currently carried out by the Centre for Digital Public Services (CDPS). This includes raising digital capability across the public sector, delivering standards and guidance and working with other organisations to deliver digital transformation.
- To support the transfer functions of the CDPS to Welsh Government with the aim of this being in effect by April 1st 2026. The activity above will continue from within Welsh Government.
- £2.5m of this BEL relates to new investment in Artificial Intelligence leadership for the public sector including the new Office for A.I and a delivery fund to support public sector adoption.

Corporate Programmes Action

There has been a small baseline adjustment of £0.001m to this Action in 2026-27 to support the 2025-26 pay award. In addition, a further £0.001m increase has been added compared to the revised baseline to support a forecasted 2.2% increase in public sector pay. The total funding for the Action stands at £0.680m for financial year 2026-27.

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 2026-27 to support this activity.

Corporate Programmes & Services BEL

- The Corporate Programmes annual budget primarily funds the Business Accounting 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 for 2026-27 stands at £0.515m, a small increase from the 2025-26 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 £0.362m for 2026-27. There has been a baseline adjustment of £0.048m to fund the public sector pay award compared to the final budget 2025-26 (February 2025). There has been an additional allocation in this budget of £0.005m to further support the increase in national insurance contributions costs.

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). Our priorities are:
 - 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

The total for the Action for 2026-27 stands at £0.943m. There has been a baseline adjustment of £0.004m for the national insurance contributions and 2025-26 pay award. A further £0.001m has been allocated as additional support to reflect the OBR's wage growth forecast of 2.2% for 2026-27.

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

Funding for this Action stands at £24.483m for 2026-27. There has been a baseline adjustment of an additional £0.025m due to the increase in national insurance contribution costing and additional funding for the 2025-26 pay award. A further £3.1m has been allocated in this budget predominantly to support the Tour de France and Euro's 2028 (£1.7m) within the Events Wales BEL and £1.4m to the Creative Wales BEL for the continuation of the Creative NDR Studios fund as the revaluation will not be completed by April 2026 and will require additional revenue to support for the 3rd year. A further £0.010m has been allocated as additional support to reflect the OBR's wage growth forecast of 2.2% for 2026-27.

Tourism BEL

- Funding supports the tourism development 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. There has been a very small change to the budget allocated for 2026-27 which predominantly relates to a baseline adjustment of £0.019m for the 2025-26 pay award costs and national insurance contributions and a further £0.002m as additional support for the increase in national insurance contributions costs.
- There has been no change to the marketing investment for 26-27 which enables promotion of Wales under the Cymru Wales Brand. This consist of international and domestic marketing of Wales as a visitor destination through Visit Wales, promotion of Wales as an export and inward investment location and nation promotion through our Tim Cymru approach for St David's Day and major events both home and abroad.

Creative Wales BEL

- The budget for 2026-27 for the Creative Wales BEL stands at £8.409m. There has been a very small adjustment to the baseline of £0.001m to support the increases in the National Insurance contributions costs. An additional £1.4m has been allocated to the Creative Wales programme for the continuation of the Creative NDR Studios fund.
- 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 2026-27 stands at £0.010m, for fixed asset depreciation costs.

Total Managing European Funding Action

Funding for the Action stands at £1.780m. There has been an increase baseline adjustment of £0.017m to support the pay award 2025-26 and National Insurance contributions. In addition, £0.002m increase has been allocated to further support the increase in the National Insurance contributions.

Programme Support BEL

- The annual budget of £1.780m delivers the Welsh European Funding Office Technical Assistance EU funded operations.

Licensing of Visitor Accommodation Action (Renamed for 2026-27 from Total Statutory Licensing Registration Scheme)

There has been no change to the Action when compared to the revised baseline for 2025-26. Funding has been maintained at £0.200m. Funding allocated in 2026-27 is to support the development of the registration system, which is being led by the Welsh Revenue Authority (WRA) under the Visitor Accommodation (Registration and Levy) Etc (Wales) Act 2025.

Licensing of Visitor Accommodation 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) under the Visitor Accommodation (Registration and Levy) Etc (Wales) Act 2025.

Capital

Business Wales / Entrepreneurship and Regional Economy Action

The funding for the Action in 2026-27 stands at £60.814m. The baseline has been adjusted for 2026-27 to remove the non-recurrent funding for the Holyhead Breakwater project (£20m capital FT and £10m general capital). £1.157m has also been adjusted within the Business and Regional Economic Development repayment BEL for time limited capital financial transactions. A further non-recurrent allocation of £30.4m for the Holyhead Breakwater project has been allocated to the Business and Regional Economic BEL for 2026-27 and £1.236m removed for the capital financial transactions relating to business support.

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 baseline adjustment of net £1.5m for 2026-27. The adjustment relates to the removal of the capital financial transaction funding allocated to the Business Finance Funds BEL (£9.5m) and £11m adjustment to the Business Finance

Funds – Repayment BEL. A further £9.690m has been allocated in 2026-27 to support financial transaction funding. The financial transaction funding will support the following:

£4.590m 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 £2.040m to the Wales Micro Loan Fund.

We are allocating £3.060m 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.

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

- This budget has been reduced to zero for 2026-27. The repayments relate to agreed repayment profiles in respect of loans issued in prior years and no repayments are expected in this budget.

Economic Infrastructure Development Action

The Action stands at £54.459m for 2026-27. £0.365m has been adjusted in the 2026-27 baseline for the capital financial transaction repayment within the Property Infrastructure – Repayment BEL. £1.450m has been allocated in 2026-27 to the Property Infrastructure BEL for costs associated with leases accounted for under IFRS 16. A reduction of £0.370m has been applied to the Property Infrastructure – Repayment BEL which is due to the capital financial transactions repayments.

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.

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 2026-27 revised baseline. The total funding is £10m in 2026-27.

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). Our priorities are:
 - 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 2026-27 baseline. Funding has been maintained at £5m for financial year 2026-27.

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.

Promote and Protect Wales' Place in the World Action

The total funding for the Action for financial year 2026-27 stands at £14m. There has been a baseline adjustment reduction of £0.500m to this Action which is removal of a time limited funding for Mid Wales Public Conveniences Fund. An additional £0.500m has been allocated to the Tourism BEL to support the Tour de France and an additional £0.500m has been allocated to the Creative Wales BEL for 2026-27 to support Wales-based production and games development companies.

Tourism BEL

- The BEL has had a removal of the £0.500m from baseline for the Mid Wales Public Convenience Fund and an increase of £0.500m to support Tour de France. This budget will support for high-impact projects and the continuation of the two-year Brilliant Basics fund, which improves essential visitor infrastructure at key destinations across Wales. Delivered in partnership with local authorities and National Park Authorities, this fund ensures a consistently high-quality visitor experience, reinforcing Wales' reputation as a world-class tourism destination.

Creative Wales BEL

- The BEL has had an increase of £0.500m compared to the revised baseline 2026-27. The planned annual capital investment of £7.5m to ensure those key sector development projects supported in 2026-27 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.

Licensing of Visitor Accommodation Action

There has been no change to the Action in this budget when compared to the revised baseline. Funding for this Action stands at £0.7m.

Licensing of Visitor Accommodation 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) under the Visitor Accommodation (Registration and Levy) Etc (Wales) Act 2025.

City and Growth Deals Action

There has been a baseline adjustment for non-recurrent funding of £88.477m to the Action when compared to the Final Budget 2025-26 (February). However, an additional £76.375m has been received from HMT in 2026-27 to support our city and growth deals. The Welsh Government contribution is £22m. Total funding for the Action is £98.375m.

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 15 years. The Welsh Government has committed to invest over £1bn over 15-20 years.

Agenda Item 4

Document is Restricted

Jack Sargeant AS/MS
Y Gweinidog Diwylliant, Sgiliau a Phartneriaeth Gymdeithasol
Minister for Culture, Skills and Social Partnership



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MA/JS/2554/25

Andrew RT Davies MS
Chair
Economy, Trade and Rural Affairs Committee

31 October 2025

Dear Andrew,

Thank you for your letter dated 20 August on the scrutiny of the Welsh Government's 2026-27 Draft Budget which Stage 2 will be published on 3 November.

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

I look forward to providing an update to the Committee at our oral evidence session on 26 November 2025.

Yours sincerely,

Jack Sargeant AS/MS
Minister for Culture, Skills and Social Partnership
Y Gweinidog Diwylliant, Sgiliau a Phartneriaeth Gymdeithas

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

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Gohebiaeth.Jack.Sargeant@llyw.cymru
Correspondence.Jack.Sargeant@gov.wales

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

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



Economy, Trade and Rural Affairs Committee

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

26/11/2025

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 2026-27 Draft Budget, published as part of stage 2 on 3 November. It also provides an update on specific areas of interest to the Committee.

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

The employability programmes budget delivers programmes to equip people into with the skills and experience they need to enter, sustain and return to employment in a digital and net zero economy. 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. Communities for Work Plus (CfW+), Jobs Growth Wales Plus

(JGW+) and ReAct+ supported over 20,000 individuals in some of our most deprived communities through 2024-25.

As we move forward the Employability Support Programme (ESP) aims to deliver a new employability support offer for Wales from 2027 that ensures that we put the person at the centre of the offer and is flexible enough in an ever-changing labour market. The scope of the programme includes CfW+, JGW+, ReAct+ and the devolution of non-JCP employment support funding.

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, Employability and Skills and Social Partnership plans as published in the Draft Budget 2026-27. This confirms an increase in fiscal resource (revenue) of £5.080m for these budget lines compared to the 2026-27 revised baseline. Non fiscal resource (non-cash), Capital and AME budgets remain unchanged.

Budget Expenditure Line		Plans as per 2025-26 Final Budget Restated February 2025	Baseline Adjustments for 2026-27	2026-27 Revised Baseline	Changes	2026-27 Draft Budget October 2025
		£000s	£000s	£000s	£000s	£000s
REVENUE						
Apprenticeships		143,902	4	143,906	2,386	146,292
Action:	Apprenticeships	143,902	4	143,906	2,386	146,292
Employability Including Young Persons Guarantee		109,857	800	110,657	2,683	113,340
Employability Including Young Persons Guarantee – Non-cash		2,330	0	2,330	0	2,330
Action:	Employability Including Young Person Guarantee	112,187	800	112,987	2,683	115,670
Social Partnerships		900	8	908	11	919
Action:	Social Partnership	900	8	908	11	919
Revenue	Total	256,989	812	257,801	5,080	262,881
CAPITAL						
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
Capital	Total	2,000	0	2,000	0	2,000
RESOURCE AME						
Action:	Employability Including Young Persons Guarantee - AME	12,000	0	0	0	12,000
Resource AME	Total	12,000	0	0	0	12,000

The baseline used for the 2026-27 Draft Budget is the 2025-26 Final Budget restated (February 2025) adjusted for recurring baseline adjustments for 2025-26 to support the 2025-26 public sector pay award and increases to fund the National Insurance contribution

costs. An inflationary uplift has then been applied to the Economy, Energy and Planning MEG, based on latest growth forecasts from the Office of Budget Responsibility. All changes are detailed above.

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 2026-27 is provided above. A commentary explaining the changes to each Action relevant to this Committee 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.

SPECIFIC AREAS

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

SKILLS & EMPLOYABILITY

The total quantum of funding intended to be deployed on delivering the Young Person's Guarantee in 2026-27.

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 support to pursue self-employment.

Since the launch of the Guarantee in November 2021, over 58,000 young people have started on employability and skills programmes alone. More than 8,500 young people have progressed into employment and more than 800 have started their own business.

The main employability and skills programmes and schemes identified within scope of the Young Person's Guarantee are as follows in Table 1:

Table 1: Key employability and skills programmes with YPG elements

Young Person's Guarantee		
Programme/project	Budget 2026-27	Comments
Jobs Growth Wales+	£34m	YPG Flagship programme supporting 16-19 year olds who are, or who are at risk of becoming, NEET

ReAct+	£7.095m	Supporting those affected by redundancy and barriers to employment. Budget supports all ages 20+
CfW+	£16.834m	Intensive community-based employability support. Budget supports all ages 16+
Inspiring Skills Excellence in Wales	£1.26m	Includes core activity as well as funding towards Wales competitors involvement in national and international competitions delivered by WorldSkills UK.
Youth Entrepreneurship	£1.39m	Key programme of delivery towards the self-employment commitment within the YPG
Careers Wales/Working Wales	£30.909m	Part of the Working Wales offer includes a gateway to YPG – providing impartial advice and guidance to support young people to make the right choice. Approximately 30% of the overall Careers budget is used to deliver Working Wales.

Funding to support the delivery of the Young Person’s Guarantee in 2026-27 is included in both the Education and Economy, Energy and Planning MEGs, and includes 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 2026-27.

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 and PLAs sits with the Minister for Further and Higher Education.

Detail of any specific skills and employability 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 2026-27 is £7.095m 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 2026-27.

CfW+ has a planned budget of £16.834m for 2026-27 and provides intensive employability support to people most disadvantaged in the labour market from a range of community venues.

Detail of any specific funding for sectors transitioning to net zero to upskill and reskill workers, including: details of funding for the Flexible Skills Programme and whether specific allocations are made to individual programmes.

As noted above, in 2026-27, the Welsh Government will provide £145.655m core funding to Medr which will cover a range of spending areas, one of which is 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. 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 2024 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.

Working with Scotland and Northern Ireland, we have a rolling review of the National Occupational Standards (NOS). When agreeing which NOS to review or develop each year, the three-nation commissioning group places a high priority on addressing the zero-carbon agenda.

A consolidated list of all employability programmes funded by the Skills BEL, including: the intended client base / beneficiaries of each programme; whether they are part of a larger 'umbrella' scheme (i.e. the Young Person's Guarantee); and a list detailing the main providers for each of the programmes including their 2026-27 contract values.

Table 1 above provides the details of the employability programmes under the YPG umbrella. The Employability programmes funded by the Employability including Young Person's Guarantee BEL 4464 include:

Jobs Growth Wales Plus (JGW+): £34m for 2026-27

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 (Not in Employment, Education or Training). 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. JGW+ is contracted by tender and the budget for 2026 – 27 will be allocated to providers as detailed below. 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

ReAct+: £7.095m for 2026-27

ReAct+ is a grant funded programme that was launched on 6 June 2022. It offers individualised support to adults 20+ affected by redundancy. and supports ex-offenders serving their sentences in the community. The programme delivers vocational training grants to individuals, 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 it is for participants to identify the most appropriate training provider once they have received impartial advice and guidance from a Working Wales adviser.

Communities for Work Plus (CfW+): £16.834m for 2026-27

CfW+ is a Welsh Government community-based Employability Programme. The Welsh Government does not contract with any training providers with funding flowing to Local Authorities who deliver the programme in line with their local needs. In January 2025 we

lowered the age range for those able to access the Communities for Work+ programme to allow local authorities to further support the young people.

Careers Wales/Working Wales: £30.909m for 2026-27

Working Wales delivered by Careers Wales is an effective gateway for employability support that is responsive to an individual's needs. Approximately 30% of the total Career Wales budget is allocated to Working Wales, who provide personalised impartial careers and employability advice, guidance and coaching service for those aged 16+ living in Wales, including those within the secure prison estate and seeking sanctuary. Working Wales will refer individuals onto appropriate existing employability programmes including JGW+, ReAct+, CfW+, and also support individuals into work, self-employment and apprenticeships.

Details of allocations to support economically inactive and disabled people into employment.

Economic Inactivity Trailblazer:

UK Government has provided up to £10m in 2025-26 for delivery of the Trailblazer with a further £10m earmarked for 2026-27. In 2025-26 a Memorandum of Understanding was put in place between WG and DWP for the use of this funding. Any funding received in 2026-27 will be considered for allocation as part of the normal in year supplementary budget process in 2026-27.

Our economic inactivity Trailblazer pilots, operating in Blaenau Gwent, Neath Port Talbot and Denbighshire are supporting economically inactive individuals with long-term health conditions, those who are disabled and/or those with caring responsibilities.

Communities for Work+: £16.834m for 2026-27

CfW+ mentors are based within community venues across Wales, providing intensive advice and guidance to help unemployed and economically inactive participants overcome barriers to employment.

ReAct+: £7.095m for 2026-27

Supports employers who recruit an eligible disabled person

JGW+: £34m for 2026-27

We continue to make sure the needs of disabled young people are met by providing funding to our contractors which enables them to put in place a range of additional support for learners via our Additional Learning Needs central fund. Contractors use this fund to address identified needs as well as for Supported Employment Job Coaches. These provide one to one support alongside the main programme.

The proportion of JGW+ learners who self-identified as being disabled and/or having a learning difficulty increased in 2024-2025 to 25.6% from 23.9% in 2023-2024. The positive

outcome rate has increased for disabled and/or learning difficulty learners between 2023-2024 and 2024-2025 from 57.9% to 62.3%. For learners without a disability and/or learning difficulty, the rate increased from 61.0% to 68.2%.

Details of funding allocated to the WorldSkills UK competition, including forecasts of remaining funds to spend in 2025.

Inspiring Skills Excellence in Wales (ISEiW): £1.26 million in 2026-27.

This budget supports **young people** in developing **world-class skills** through **skills competitions** and professional development. Around 1,400 young people participate each year in Wales based Skills Competitions. In November 2025 Wales will be hosting the UK National Finals for the first time and the finals for 2026 will also be hosted in Wales. Around 20% of the overall ISEiW budget allocation is specifically allocated for Wales competitors' involvement in national and international competitions delivered by WorldSkills UK and forecast spend for 2025-26 is c£0.25m, with a similar budget being planned for 2026-27 also.

Actual 2024-25 and forecast 2025-26 funding for the Creative Wales Skills Fund and how this is intended to be used

In 2024-25, a total of £1,117m was logged under the Skills Programme funding. Forecast for this year is £1.549m and broken down as follows

Creative Skills Fund (Year 2)	0.947
British Film Institute Sgil Cymru	0.150
Freelancer Project	0.075
Watch Africa	0.085
Factual Fast Track BBC	0.060
National Film and Television School (NFTS) Cymru	0.150
British Film Institute International Horizons (TRC)	0.034
Pact – Future Wales	0.033
Pro7ect	0.015
Total	1.549

WORK-BASED LEARNING

The actual 2024-25 and forecast 2025-26 outturn for the apprenticeship programme and how this relates to the achievement of Welsh Government's target.

The actual 2024-25 outturn for the Apprenticeship programme was £139.376m. The forecast outturn for this programme in 2025-26 is £143.906m.

Details of any transfers out of the 2026-27 Work-Based Learning Action to fund Degree Apprenticeships.

No transfers are being actioned as part of the draft budget 2026-27 to support Degree Apprenticeships. Now that Medr is in place, this funding is provided directly to Medr. However, it is anticipated that Medr will continue to offer an allocation from the funding it receives from the Apprenticeship budget to support Degree level apprenticeships.

Details of any funding utilised in 2025-26 and forecast to be used in 2026-27 to: develop new apprenticeship frameworks; and/or 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 from the Medr BEL within the Education MEG for Framework development and review. Medr have published their Framework review cycle for 2024-2027 which details the specific frameworks that are being 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 2026-27.

Medr now have responsibility for the management of demand regarding provider delivery. Welsh Government officials meet 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 Welsh Government 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. Medr have recently re-purposed £4m to the apprenticeship budget to support additional apprenticeship opportunities in 2025-26.

Details of any changes to the funding of apprenticeships in response to the Economy, Trade and Rural Affairs Committee's apprenticeships report.

We have fully considered the Committee's report and provided a detailed response. No funding changes were considered necessary in responding to the Committee's report.

Details of any specific purposes of the funding provided to Medr in their role of allocating funding for apprenticeships.

Medr are provided with a single budget to enable them to fulfil their role of allocating funding for apprenticeships. This is not ringfenced for specific purposes, though it is expected the funding will be utilised to meet Welsh Government priorities for Apprenticeships including funding of:

- Contract allocations for apprenticeship training providers
- Shared and supported shared apprenticeships
- Employer Incentive Scheme
- Framework reviews
- ALN

REGIONAL SKILLS PARTNERSHIPS / EMPLOYER ENGAGEMENT

Details of the funding to be provided to each Regional Skills Partnership 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.

RSPs are focusing on green skills during 2025-26, to align with the Cabinet's priority of "Jobs and Green Growth". This involves working closely with their employer networks to identify regional and national green skills needs and expand opportunities for net zero skills, informed by labour market intelligence. They are providing insight to Careers Wales advisors and post-16 providers to enhance net zero knowledge and understanding. RSPs continue to work in partnership with Medr to set green skills and other sector priorities for further education and apprenticeship delivery. RSPs are undertaking an 'Occupational Trends Exercise' to drive investment in new and refreshed suites of NOS to reflect the needs of net zero skills.

In addition, RSPs are working on the Welsh review of AI, supporting the AI skills working group.

In 2026-27 we are maintaining our investment in Regional Skills Partnerships, and we will continue to invest £0.290m per RSP per annum, a total amount of £1.16m per annum.

Details of Welsh Government's allocations to Careers Wales and how this is aimed at delivering desired outcomes for skills.

We have invested £30.909m in the draft budget 2026-27 to support Careers Wales/Working Wales. Careers Wales is our national all age impartial, professional careers information, advice and guidance service for Wales. By offering professional careers guidance we are continuing to help young people and adults understand the skills required in our current and future labour market and aiding them in gaining and maintaining the skills needed for today and in the future to meet employer demands.

Careers Wales 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. They provide one to one career guidance interviews and group sessions to help learners learn more about their career options, understand how their choices can impact their future career and how to take their next steps. They work with thousands of businesses across Wales to facilitate bringing schools and employers together with the aim of informing, inspiring and motivating young people about their career opportunities. This includes offering several tailored work experience placements to young people that are at high risk of disengaging with education. They also support schools to deliver the Careers and Work-Related Experience element of the new curriculum.

Their Working Wales service provides professional, personalised impartial careers and employability advice, support and guidance, for those aged 16+ living in Wales, including those within the secure prison estate and seeking sanctuary. Working Wales will refer individuals onto existing national and local employability programmes including JGW+, ReAct+, CfW+ and Traineeships as appropriate, and support individuals into work, self-employment and apprenticeships, supporting each individual to become aware of their options and help them to make an informed choice on the right pathway for them.

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.

We have allocated £0. 919m in the draft budget 2026-27 in the Social Partnership BEL to support a wide range of initiatives to promote and embed social partnership, fair work and socially responsible procurement. we are providing support to public bodies and other social partners on the new duties set out in the Act, as well as supporting staffing costs within the Welsh Government, including secondments to strengthen our own social partnership arrangements,

Most of the costs in the Regulatory Impact Assessment result from staff time within Welsh Public Bodies to support the social partnership structures and introduction of the new duties, and it is part of the roles of those staff.

We have continued to prioritise funding for activities that will ensure effective implementation of the Social Partnership and Public Procurement (Wales) Act, including the development of guidance and advice on the procurement duties; support for the Social Partnership Council, the roll-out of training and engagement sessions on social partnership and the development of case studies, tools and resources, so that the legislation can begin making a real difference.

The provisions in part 3 of the Act which relate to socially responsible procurement have not yet come into force. We expect Welsh Contracting Authorities, generally, to accommodate any additional administrative demands and associated cost pressures within their allocated budgets and resources. However, the Regulatory Impact Assessment published alongside the Act identified additional costs that would be placed on many Contracting Authorities relating to the more detailed contract management duties for major construction contracts. Contracting Authorities may seek to meet these additional costs in their negotiations with their funding departments.

Details of how allocations in the Draft Budget will support fair work initiatives and support increased payment of the Real Living Wage.

£0.060m from the Social Partnership BEL in financial year 2025-26 has been allocated to grant fund Cynnal Cymru as the Real Living Wage accredited partner in Wales. This funding will be maintained in 2026-27. This funding will boost 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.

There is no dedicated allocation in the 2026-27 draft budget to support the remote working strategy. We have established a network of remote working hubs, published remote working guidance and case studies, and we are monitoring the 30% target.

SUMMARY

The Employability, Apprenticeships, Social Partnership and Skills Draft Budget allocations for 2026-27 is presented to the Committee for consideration.

ANNEX A – ACTION LEVEL COMMENTARY FOR THE BELS RELEVANT TO THE COMMITTEE.

Resource

Apprenticeships Action

There has been an increase of £2.4m in this draft budget compared to the revised baseline 2026-27 to the Apprenticeships action's budget. The budget for 2026-27 stands at £146.3m. The increase is predominantly related to additional funding to support the pressure created by funding additional starts in 2025-26.

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 £2.683m for 2026-27, taking the total funding for the action to £115.7m, when compared to the 2026-27 revised baseline. This increase relates to an additional £2m to support the additional demand in the Jobs Growth Wales plus programme, £0.590m and £0.093m to support the next round of the public sector pay awards and National Insurance costs for Careers Wales and Welsh Government programme staff respectively.

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 Minister's 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 been maintained at £2.3m for this budget.

Social Partnership Action

There has been a small increase of £0.011m compared to the revised 2026-27 baseline budget as part of the draft budget. The increase relates to additional funding for the in-year pay award and National Insurance contribution costs.

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 secondments recruited from social partners.

Capital

Employability Including Young Person's Guarantee Action

There has been no change from the revised 2026-27 baseline budget. 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 January 2025.



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref

Andrew RT Davies MS
Chair, Economy, Trade, and Rural Affairs Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

18 November 2025

Dear Andrew,

Development of Tourism and Regulation of Visitor Accommodation (Wales) Bill

Following the session on 5 November, in which I gave evidence as part of your scrutiny of the Development of Tourism and Regulation of Visitor Accommodation (Wales) Bill, I wanted to write to provide further information on a handful of the points discussed. This is supplementary to the Statement of Policy Intent that was shared with you on the same date, and similarly, is intended to aid understanding of the policy and scrutiny of the Bill.

Transitional arrangements

There are powers in the Bill that allow for transitional arrangements to be put in place to enable as smooth an implementation as possible.

We intend to use these powers to allow existing providers to continue operating until such time as their application is determined, so long as they have applied for a licence by the specified deadline as the scheme is rolled out. The powers in the Bill allow for this and can be used to avoid a situation where a provider is prevented from operating during that implementation period simply because the licensing authority needs more time to process the application than would normally be the case during steady state of the scheme.

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

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Correspondence.Mark.Drakeford@gov.wales
Gohebiaeth.Mark.Drakeford@llyw.cymru

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

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

Provisional and Renewal of Licences

These are procedures that will continue to be in place during the scheme's steady state, and are therefore different to the transitional arrangements outlined above.

In respect of **renewal applications**, the power on the face of the Bill at section 25(2), expressly allows for provision to be made to enable a licence to continue to have effect until a renewal application has been determined. The intention is to avoid a provider who has applied for renewal being prevented from operating purely due to their application not having been determined.

As I explained during the evidence session on 5 November, this power will also allow us to ensure accommodation providers benefit from the flexibility of not having to resubmit evidence we already hold at the point of renewal, so the process can be as simple and straightforward for them as we can make it.

Provisional licences are intended to accommodate circumstances where a licence approval requirement cannot yet be met, for example, where a provider is building new visitor accommodation. A provisional licence would allow providers to begin advertising and taking advance bookings, while they work towards a full licence. However, until such time as they are able to meet all of the requirements for a full licence, and that licence is granted, they would not be permitted to accept guests to stay (i.e. to "*provide*" the accommodation).

This arrangement is intended to ensure new or existing providers are not deterred from expanding their businesses or pursuing new opportunities due to limitations in the licensing scheme. At the same time, it ensures these providers are aware of the requirements they will need to meet. It is also intended to help maintain the efficacy of the Directory of visitor accommodation in providing reassurance to visitors that even though the accommodation does not currently meet the requirements, they will need to be met prior to a visitor being allowed to stay.

The operational and procedural nature of those matters is part of the reason for them being left to regulations rather than being set out on the face of the Bill. The other reason is to ensure sufficient flexibility in the scheme to support business continuity in a continuously evolving sector, while maintaining transparency and the scheme's integrity.

Amendment of Licences

For amendments of licences, we expect most of these to come following requests from providers, for example, where their accommodation has changed in some way. However, it is likely that amending a licence will be one of the options available for compliance and enforcement, as an additional step before revocation. This will favour licence holders, as it will, for example, allow parts of the accommodation at a premises to be removed from what is licensed, where an identified issue is localised or contained, and doesn't impact other accommodation at a premises. This would allow the provider to continue to operate any remaining accommodation at the premises, provided it is compliant, rather than revoking the whole licence. It is in this sort of scenario that an amendment may be made to a licence

without a request from the provider. This will, of course, be linked to the remedial and revocation processes, as well as appeals, so that there is a clear flow through the compliance and enforcement process, with opportunities for providers to put problems right, together with the flexibility for them to manage their own licences as necessary.

Appeals

As I mentioned in my evidence on 5 November, the appeals process will be as is standard across many schemes, including under the recent Visitor Accommodation (Register and Levy) Etc. (Wales) Act 2025 (“the VARL Act”), where a provider will have the right to appeal to the First-tier Tribunal on various decisions made under the scheme, as provided for under section 28. However, as you will also see from that which I have set out above, the information contained in the SoPI, and as discussed in my oral evidence, there are many steps and stages to supporting compliance with the requirements of the Bill. These processes have been included to ensure a proportionate approach to compliance and enforcement across a wide range of scenarios. Equally, in the event the licensing authority gets a decision wrong or doesn’t treat all providers fairly, the appeals process is there as a safeguard.

Licensing Authority and the role of the Welsh Revenue Authority

I also wanted to set out information about the functions of managing the licensing scheme and the role of the Welsh Revenue Authority (WRA). The Bill does not establish a ‘licensing authority’ by name or by design. We have used that term for ease and brevity, to describe the functions of the licensing scheme, which sit with the Welsh Ministers, as distinct from their wider functions.

Under the Bill, the core functions of the scheme will remain with the Welsh Ministers. Nevertheless, with the powers afforded under section 83 of the Government of Wales Act 2006, for example, we are able to enter into agency arrangements with other public bodies in respect of the exercise of those functions. It is using powers such as these that we will look to other public bodies for certain elements of the operation of the scheme, where it makes more sense for those tasks to be administered by someone else.

We have been clear throughout the journey of this Bill since its inception, including during the scrutiny of the VARL Act, that wherever possible we would ensure the systems and processes for providers would be as streamlined as possible, and that we would avoid duplication of effort wherever we are able. To achieve that, our goal remains for a single point of entry when it comes to the systems that providers will need to use for registration, licensing and the visitor levy, and to avoid some providers requiring three different logins or inputting the same information three times.

It is in this context that I discussed the role of the WRA in my last evidence session. The WRA is already developing the IT system for registration; and given the registration scheme creates the foundation for both licensing and the visitor levy, I want the licensing system fully to exploit synergies with registration and the levy. Although no decision has been

made as to who will build and operate the IT system to support the licensing scheme, my view is that it should be developed as the next step to that registration system.

To that end, whilst the Senedd is yet to agree this Bill, given the current stage of the development for registration, and the time it can take to develop systems such as these, my officials are working with the WRA to scope out how this could work, and what technology might be available to assist and reduce some operational costs. For example, for licence applications or evidence, using AI and other digital functionality to undertake initial checks of documentation, before the licensing authority considers and determines whether it can or should be approved. There may also be economies of scale for some other operational customer relationship management (CRM) functions, such as helplines and IT support, and we will take advantage of those wherever it is appropriate to do so. We have provided funding this year to WRA to undertake this work, and that will inform future decisions on the WRA's role in licensing.

However, I want to make clear that there are significant aspects of the licensing system which I do not expect the WRA to deliver on our behalf. I do not anticipate them determining whether a provider's application should be approved where it cannot be done automatically, nor do I anticipate them writing guidance on fitness for visitor accommodation, deciding when compliance and enforcement action is necessary, or undertaking inspections when it is. I expect their role in the licensing system to be focussed on managing the IT system and integration with registration and the levy, both at the front end to create a single platform for providers and potentially in the back-office to support effective management of both systems. As I set out in Committee, we will be looking at Visit Wales, local authorities and other bodies for some of these other elements, but the licensing authority itself will remain the responsibility of the Welsh Government in order to maintain a national scheme and provide strategic oversight at a national level.

Code of Practice and Statutory Guidance

Finally, turning to the Code of Practice and Statutory Guidance. The Bill sets out a duty for Welsh Ministers to provide guidance on the licensing scheme, and a power to publish a wider Code of Practice. The intention here is for the statutory guidance to provide the information providers of regulated visitor accommodation may need, alongside the training, in order to comply with the requirements of the scheme, and will be there for them to refer back to whenever required. That guidance will eventually sit alongside the Code of Practice, to create a single suite of information for the whole of the tourism sector; with the Code providing best practice guidance on various matters, not just in respect of licensing, to help support existing and prospective providers in the sector to continue to drive standards and maintain a sustainable tourism economy across Wales.

I look forward to discussing the Bill further at our next meeting on 20 November.

I am copying this letter to the Chairs of the Finance and Legislation, Justice and Constitution Committees for their information.

Yours sincerely,

A handwritten signature in black ink that reads "Mark Drakeford". The signature is written in a cursive style with a large initial 'M'.

Mark Drakeford AS/MS

Ysgrifennydd y Cabinet dros Gyllid a'r Gymraeg
Cabinet Secretary for Finance and Welsh Language

Bethan Jones
Operational Manager
Rent Smart Wales

18 November 2025

Dear Bethan,

**Development of Tourism and Regulation of Visitor Accommodation (Wales) Bill:
follow-up to evidence session**

Thank you for giving evidence as part of our Stage 1 scrutiny of the Development of Tourism and Regulation of Visitor Accommodation (Wales) Bill.

Following the session, Members agreed to write to Rent Smart Wales to seek further information about how the enforcement process works in practice.

I would be grateful therefore if you could set out the steps in your enforcement proceedings, including which actors are involved at each stage. During the session, you noted that local authorities have all of the enforcement powers that Rent Smart Wales has, and they can choose whether they want to do the enforcement to ensure compliance or not. Could you confirm how often these enforcement powers are used?

In cases where the local authority chooses not to carry out the enforcement themselves, we would be particularly interested to understand:

- how they support Rent Smart Wales in taking forward the enforcement in their area, and
- how they are reimbursed for doing so.

I would be grateful if you could provide this information by 28 November if possible.

Yours sincerely,

Andrew RT Davies

Andrew RT Davies MS

Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English



Huw Irranca-Davies AS/MS
Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet
dros Newid Hinsawdd a Materion Gwledig
Deputy First Minister and Cabinet Secretary for
Climate Change and Rural Affairs

Our ref: HID/ARTDavies/PO/594/2025

Andrew R T Davies MS
Chair
Economy, Trade, and Rural Affairs Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

18 November 2025

Dear Andrew,

Thank you for your letter of 20 October, following my evidence to Committee on 24 September in response to your Inquiry into Food Processing in Wales. In addressing your further questions, responses are set out below:

Public Procurement of Welsh Food and Drink

The Welsh Government is progressing the implementation of Part 3 of the Social Partnership and Public Procurement (Wales) Act 2023. This introduces new socially responsible procurement duties on contracting authorities to pursue economic, social, environmental, and cultural well-being when undertaking all procurement.

The Welsh Government is working on the draft Statutory Guidance required to support implementation of the Act and intend to publish for public consultation later this autumn. The Statutory Guidance will support public bodies who are covered by the Act to discharge their new socially responsible procurement duties. It will provide practical guidance on achieving wellbeing outcomes through the procurement process. We will work with public bodies, social partners, procurement professionals and others to support its effective implementation and delivery.

The **Community Food Strategy** promotes local food production and community resilience, through strengthening shorter supply chains. It commits to delivering on the outlined objectives and to increase the opportunities for the procurement of locally sourced food. This is supported by a cross-portfolio funding package of over £2 million for Local Food Partnerships for the financial year 2025-2026. These Local Food Partnerships have now been established in every Local Authority in Wales and will provide strategic co-ordination of local food projects 'on the ground'. They will create new supply opportunities by connecting local food stakeholders including producers, businesses, wholesalers, and public sector

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

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Gohebiaeth.Huw.Irranca-Davies@llyw.cymru
Correspondence.Huw.Irranca-Davies@gov.wales

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

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

services. By joining farmers with wider organisations along the supply chain, this will also complement the objectives of the **Sustainable Farming Scheme**.

Welsh Food on School Menus

In addition to the initiatives in Anglesey and Caerphilly referred to in our evidence paper, the Welsh Government is increasing the amount of Welsh food on school menus, through the **Foundational Economy Food Community of Practice (CoP)**.

This joined up approach was established to support collaboration and innovation across Foundational Economy food projects. It has now expanded to include food buyers and caterers from councils, health boards, and academia.

It is pleasing to see that many of the Foundational Economy projects have scaled up and expanded to other parts of Wales. Key initiatives include:

- The **'Welsh Veg in Schools'** project. Its success now being expanded into North Wales to include additional growers/wholesalers, and Local Authorities. It is currently operated through thirteen Local Authorities, fifteen growers and four wholesalers. The project has already contributed towards a 20% increase in land used to grow vegetables in Wales, while the rest of the UK has seen a decline. Further funding will support the ambition to source sixty tonnes of Welsh vegetables to produce one million portions of vegetables for school meals in Wales. The overarching objective is to ensure that 25% of all vegetables in Welsh schools is local and organic by 2030.
- **Larder Cymru** has successfully supported eight Local Authorities across Wales, exceeding its original target, to develop new, seasonally compliant school menus that feature Welsh produce at its core. A tailored, in-person support package was developed for each Local Authority, considering their specific challenges and to align with local objectives. Key achievements included revised menus that increased the use of local ingredients, strengthened local supply chains, and increased free school meals uptake. A revised menu in Caerphilly resulted in the Local Authority almost doubling their spend on Welsh food. In Wrexham, product sourcing moved to Harlech Foodservice to improve the local sourcing offer.
- Further to the revised menus **Larder Cymru** is trialling street food themed salad bars in secondary schools in three Local Authorities, using locally grown, seasonable vegetables. This supports food supply chains with the new Healthy Eating Regulations to identify opportunities for reformulation and new product development.
- In Monmouthshire, the **'Give Chickpeas a Chance'** campaign was designed by primary school children and taken up by Monmouthshire council. The **'Cookalong Clwb'** primary school children were able to enact change with their Chickpea Korma recipe and has been added to all school menus in Monmouthshire. This innovative initiative has now been rolled out further in Wales now working towards the same goal. In Crosshands, primary school children have created a brownie recipe using aquafaba (chickpea water) and taken their recipe to Castell Howell for development.
- The **'Future Generations School Menu'** is a pioneering initiative aimed at transforming school meals to better reflect the values of the **Well-being of Future Generations (Wales) Act 2015**. In Carmarthenshire, the revised school menu incorporated fresh, seasonal Welsh produce. The project is now scaling up to serve all primary schools in Carmarthenshire, with plans to deliver 2.1 million meals annually. It introduced the UK's first 'Public Land to Public Plate' model, serving food

from the county farm to local schools, directly employing horticultural staff, and collaborating with organisations including Food Sense Wales and Farming Connect.

- Further to the new Future Generations school menu a roll out of '**Food Sustainability Training**' has taken place for catering staff and management, within Carmarthenshire County Council. The key outcomes and a cultural shift in mindset with catering staff, the Local Authority, who share a collective purpose and mission for further development. The project is seen as a scalable model for other Local Authorities in Wales.

Meat Consumption

The Welsh Government recognises that a stable and sufficient supply of livestock is essential to the viability of the red meat and dairy processing sectors in Wales. The June 2024 Agricultural and Horticultural Survey for Wales revealed notable changes for livestock numbers, with a decline in cattle, sheep, and pigs, but an increase in poultry. These trends are significant in the context of climate change goals and projections for future livestock populations.

In its latest advice to the Welsh Government, the UK Climate Change Committee (UKCCC), an Independent Statutory Body, recommends a 19% reduction in ruminant livestock numbers (particularly cattle and sheep) by 2033. This is to cut methane emissions, a major contributor to the agriculture greenhouse gas inventory.

The outlined reductions are part of an economy wide '**Balanced Pathway**,' which the UKCCC forecast to be cost-effective to balance the need to decarbonise across all sectors of our economy, at different rates. The UKCCC observe that the decline in livestock numbers is for the most part driven by market forces.

The latest published June Survey statistics for 2024 confirm that livestock numbers in Wales are already lower than the UKCCC estimation for 2025. The reduction in livestock numbers is a UK-wide trend, and my officials will continue to monitor the next iteration of the Agricultural and Horticultural Survey for Wales and liaise with the other governments across the UK through the UK Market Monitoring Group.

The Sustainable Farming Scheme is designed to incentivise responsible production, which in turn supports the supply chain to meet sustainability standards. This is inclusive of livestock production and will look to add value to red meat production and its Protected Geographical Indication (PGI) status.

Thank you for writing to me on these important matters and I hope you find my response helpful.

Yours sincerely,



Huw Irranca-Davies AS/MS

Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros Newid Hinsawdd
a Materion Gwledig

Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs

Agenda Item 5.4

Huw Irranca-Davies AS/MS

Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros
Newid Hinsawdd a Materion Gwledig
Deputy First Minister and Cabinet Secretary for Climate
Change and Rural Affairs



Llywodraeth Cymru
Welsh Government

Mike Hedges MS
Chair
Legislation, Justice and Constitution Committee

18 November 2025

Dear Mike,

I am writing in accordance with the Inter-Institutional Relations Agreement to notify you of the tenth meeting of the Inter-Ministerial Standing Committee (IMSC), which will take place on 20 November 2025.

I will be chairing the meeting, which will take place virtually. The discussion is anticipated to focus on International Affairs, Community Cohesion, and live issues including the upcoming UK Budget, the Memorandum of Understanding on the Sewel Convention and Legislation.

This letter has been copied to the Chairs of the following Committees: Finance; Economy, Trade and Rural Affairs; Culture, Communications, Welsh Language, Sport, and International Relations; Health and Social Care; and Equality and Social Justice.

I will provide an update after the meeting in line with established arrangements.

Yours sincerely,

Huw Irranca-Davies AS/MS

Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros Newid Hinsawdd
a Materion Gwledig

Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs

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

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Gohebiaeth.Huw.Irranca-Davies@llyw.cymru
Correspondence.Huw.Irranca-Davies@gov.wales

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

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

Huw Irranca-Davies AS/MS
Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros
Newid Hinsawdd a Materion Gwledig
Deputy First Minister and Cabinet Secretary for Climate
Change and Rural Affairs

Ein cyf/Our ref: MA/HIDCC/1629/25

Andrew RT Davies MS
Chair
Economy, Trade, and Rural Affairs Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

19 November 2025

Dear Andrew,

I am writing to inform you my consent has been granted for The Organic Production (Amendment) Regulations 2025, which was laid in the UK Parliament on 22 October. This Statutory Instrument extends derogations in organic production for the use of non-organic pullets reared for laying, non-organic gellan gum and for the inclusion of up to 5% non-organic protein feed for pigs and poultry.

My consent for this SI is based on the Secretary of State using powers conferred by Article 22(3) of Council Regulation (EC) No 834/2007 on organic production and labelling of organic products. Article 38a(3)(a) of this regulation gives powers to the Secretary of State to make regulations for Wales in this area, provided the consent of the Welsh Ministers is given.

I informed Members of the Senedd of the laying of these Regulations through a Written Statement laid on 23 October - [Written Statement: The Organic Production \(Amendment\) Regulations 2025 \(24 October 2025\) | GOV.WALES](#)

Yours sincerely,



Huw Irranca-Davies AS/MS

Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros Newid Hinsawdd
a Materion Gwledig
Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs

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

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Gohebiaeth.Huw.Irranca-Davies@llyw.cymru
Correspondence.Huw.Irranca-Davies@gov.wales

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