



Economy, Trade & Rural Affairs Committee -Scrutiny of the Welsh Government Draft Budget 2025-26

Introduction

On 10 December the Welsh Government laid its Draft Budget for 2025-26.

This response follows evidence given to the Committee in its budget scrutiny meeting on 15 January 2025. In that meeting the Committee held three scrutiny sessions. One session looked at the economy and skills where the Cabinet Secretary for Economy, Energy and Planning and the Minister for Culture, Skills and Social Partnership provided evidence. One examined rural affairs with the Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs covering rural affairs, and one examined trade related issues with the Deputy First Minister and the Cabinet Secretary.

Recommendations following the three scrutiny sessions held have been considered carefully. Recommendations 1 – 12 and recommendations 15 and 16 are being responded to by the Cabinet Secretary for Economy, Energy and Planning and the Minister for Culture, Skills and Social Partnership. Recommendations 13 and 14 and 17-20 will be answered separately by the Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs covering rural affairs.

We would like to thank the Committee for their continued support.

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1. The medium-term impacts of the draft budget

Recommendation 1.

In light of the Office of Budgetary Responsibility's suggestion that there will be slower growth in public spending from next year, Welsh Government must ensure its budget plans are sustainable, resilient enough to consider different potential future funding scenarios, and ready for potential funding changes, especially a reduction in the block grant. The Welsh Government should plan to make best use of any additional future funding from economic growth but also have contingencies for lower growth, which might lead to smaller budget increases or cuts.

In particular they must ensure any programmes or projects funded this year are set up in a way that any reduction in funding next year will not lead to sunk costs being lost, for example due to winding up a project before it is complete. Welsh Government should provide the Committee with details of its contingency planning as soon as practically possible following publication of the final Budget.

Response: Accept

Work is already well underway on embedding a strategic approach to longer-term fiscal planning for Wales through the Wales Spending Review. An approach where we will look to identify the future spending challenges and opportunities for Wales in a much broader way and over a much longer period.

The UK Government has confirmed that a rolling approach to future spending reviews will be adopted whereby the UK Government will review its spending plans every two years. In June of this year, we will have confirmation of our block grant for revenue resources up to 2028/29 and for capital investment up to 2029/30. This provides us with more certainty on our funding settlements and allows us to plan future budgets over a longer period of time and provide a some more certainty for partner organisations.

The resource budget in 2025-26, including all elements listed above, is up 5% in real terms compared to outturn for 2023-24 on a like-for-like basis. Based on the Office of Budget Responsibility's tax forecasts and the trajectory for overall discretionary resource expenditure published in the UK October budget, it will increase in future years at a rate of just under 1% a year in real terms.

The general capital budget in 2025-26 is up 7% in real terms compared to the outturn for 2023-24. The future path for overall UK capital expenditure published in the UK budget suggests that there won't be further big increases after 2025-26.

2. The Economy & Skills

Young Persons Guarantee

Recommendation 2.

The Welsh Government should provide the Committee with detail setting out how the increase in funding for Jobs Growth Wales+ will be matched by an increase in openness and accessibility of the programme for those most in need.

Response: Accept

The increase in funding for the Jobs Growth Wales+ Programme means that we can continue to provide a bespoke package of support for some of our most disadvantaged young people who are NEET and in some of the most deprived areas of Wales. The increased allocations will allow our contractors to respond flexibly with many of them having opened new training facilities to be nearer to the young people who need them most, bringing a community focus to their work with these young people.

JGW+ serves some of the most disadvantaged young people in our society, with a specific focus on making provision for those young people with protected characteristics. Statistics for the 2023-24 financial year indicate that the programme has been particularly successful in engaging young people who have a disability with 24% of young people on the programme self-identifying as having a learning or physical disability. Overall, contractors are consistently meeting their target of a minimum of 60% of young people having a positive outcome into employment or training when they leave the programme.

Successive lockdowns, periods of self-isolation and restrictions on what previously was deemed as 'normal life' have had a significant effect on the mental health and wellbeing of post-16 learners and staff. Young people are experiencing anxiety, depression and frustration relating to the long period of disruption to their education, missed exams, career progression and/or employment prospects. The JGW+ Programme is also having to support young people who have had significant periods of non-attendance at school and who are not able to engage with structured environments, impacting on their ability to enter the workplace. This has led to contractors needing to provide far greater levels of emotional and psychological help than ever before. The additional funding will enable contractors to continue to help young people with complex issues.

Finally, I am pleased to share with Members that the results of the recent evaluation of the Jobs Growth Wales+ programme. Their interim report is very positive, highlighting key findings such as:

- 89% of young people reported that the support provided by the programme met or exceeded their expectations, supported their

career development, and addressed their individual needs through tailored training and development activities.

- 97% of young people stated that the JGW+ programme improved their work prospects, with 91% noting an improvement in their future pay prospects.

The interim report can be accessed here:

[Success of Youth Employment Programme Offers More Than a Job](#)

Skills, Training and Apprenticeships

Recommendation 3.

The Minister should share the outcomes of his green skills short-term review as soon as it is completed.

Response: Accept

Roundtable discussions with stakeholders commenced in January.

The review is about reflecting on progress in delivering our Net Zero Skills Action Plan and identifying any further actions that can bring about tangible outcomes and delivery – with these agreed by Easter.

Recommendation 4.

The Welsh Government should set out how it will ensure good practice from Airbus is replicated and can be rolled out to smaller businesses.

Response: Accept in principle

The Committee's report states that:

"Members were interested in the Minister's example of the good work being undertaken with Airbus in Flintshire. It is important the Welsh Government learns lessons from this and considers how to roll out similar success stories across Wales. However, it is also important the Welsh Government works with small businesses to create training opportunities, particularly apprenticeship opportunities, across Wales which will both support learners and help small businesses develop."

During Apprenticeship Week Wales (10th to 14th February), the Welsh Government has showcased many apprenticeship success stories from all over Wales to promote the value of apprenticeships to individuals and to employers. Work will continue over the course of the year to share further examples of good practice

and to highlight the contribution that apprenticeships make to the economy of Wales and to essential services like health and social care.

Medr is now responsible for delivery of the apprenticeship programme in Wales. With regards to small businesses, Medr is working with employers and industry bodies to better understand the barriers they face, especially SMEs, in taking on apprentices and how to broaden the employer base going forward.

Green Investment

Recommendation 5.

The Welsh Government should set out their reasoning behind their view that leveraging private investment is more about policy choices than investing public money to attract said investment.

Response: Accept

The Welsh Government has and will continue to work with the energy sector to understand the barriers and opportunities for Wales to lever in private investment. Recent examples of this work include the Renewable Energy Deep Dive which concluded in 2022 and current activity that we are progressing through the Offshore Wind Task and Finish Group and our commitment to a sector deal with the renewable energy sector.

Through this work we want to understand how we can leverage in more investment through the policy choices that we take. For example, we know from discussions with the renewable energy sector that planning and consenting are viewed as barriers to investment. As a result, we have streamlined planning processes through the Infrastructure Wales Act and have allocated additional resources to our consenting bodies including Natural Resources Wales and Planning and Environment Decisions Wales.

Within the draft budget the majority of the funding for energy is targeted at our public sector led delivery through Trydan Gwyrdd Cymru and Ynni Cymru. We want to lead the transition to a net zero energy system in a way that retains greater benefits within Wales and our communities. Working through Trydan Gwyrdd Cymru and Ynni Cymru we are supporting new investment in renewable energy that supports green jobs and growth and will be working in partnership with the community, public and private sectors in our delivery.

Remote Working

Recommendation 6.

As the Welsh Government considers it has achieved it's Programme for Government commitments around remote working they should undertake and

publish an evaluation of their work in this area. The evaluation document should, at minimum, set out what has been spent, how the commitments were achieved, the impact this has had and any lessons learnt. As part of this the Welsh Government should set out how it will maintain its achievements in remote working going forwards, particularly as there is no budget associated with that task.

Response: Agree in Principle

We plan to review our remote working hubs, taking into account feedback from both the hubs and their users. Additionally, we will continue to monitor our progress towards the 30% remote working target and share effective remote working practices across the public, private, and third sectors. We will provide a progress report on these activities later in the year.

Tourism

Recommendation 7.

When setting its budget and developing financial support schemes for the tourism sector the Welsh Government must account for the entire regulatory burden faced by the industry not just regulations targeted directly at tourism providers.

Response: Reject

The Welsh Government's financial support schemes for the tourism sector are discretionary and in most cases our schemes are designed to incentivise capital investment projects within individual businesses, with the decision to support driven by the merits of the project.

Recommendation 8.

The Welsh Government must ensure funding for tourism is flexible enough that it can be used to respond to business needs.

Response: Accept in principle

Our financial support schemes for tourism have to comply with subsidy control rules and achieve value for money from the activity supported. Most of our support is designed to incentivise capital investment, rather than day to day costs of running a business.

However, we agree that our support should be flexible enough to allow a range of different projects to come forward from across the sector. Our largest current fund, the Wales Tourism Investment Fund, is a £50m multi-year fund administered jointly by Visit Wales and the Development Bank of Wales which provides a combination of loan and grant finance.

This fund can support investment projects in all parts of the sector which help businesses to grow, create jobs and address product development priorities. We also operate the Brilliant Basics fund for small scale tourism infrastructure improvements. The new scheme we will be running in 2025-26 for weather-proofing of visitor attraction businesses is an example of responding directly to needs articulated to us by the sector.

Subject to approval of the legislation currently before the Senedd, the Visitor Levy will provide a new source of funding which local authorities will be able to invest in destination management and improvement across their communities and taking account of the views and needs of the sector locally.

Support for those affected by the closure of Port Talbot blast furnaces

Recommendation 9.

The Welsh Government should set out what financial contingency planning they have undertaken around increasing support to those affected by the closure of Port Talbot blast furnaces, should this be needed.

Recommendation 10.

Budget documentation should, in a clear and easy to find way, set out exactly how much is being allocated to support those affected by the closure of Port Talbot blast furnaces and from which budget lines it is being drawn.

Response: Reject

The TATA Transition Board was established by the UK Government to support the people, businesses and communities affected by the proposed transition to low-CO₂ steelmaking. The Cabinet Secretary for Economy, Energy and Planning represents Welsh Government on the board, and we are engaging closely with Tata Steel and our key partners Jobcentre Plus, local authorities and trade unions, and will continue to ensure people facing redundancy are provided with information, advice and guidance about the support available to them, including additional tailored, one-to-one support to those who need it.

The Transition Board has agreed five priority areas for support: Job Matching, Skills and Employability; establishment of a Supply Chain Transition Fund and Business Growth and Start Up Fund, support for mental health and wellbeing and regeneration projects.

Business Wales is in receipt of grant from UK Government for the 2024 - 25 and expected 2025 - 26 to deliver on the TSUK Transition funding for the Supply Chain Fund and the Business Growth, Resilience and Start Up Fund.

The ReAct+ redundancy support programme is demand-led and operates on an all-Wales basis. Following contingency planning and modelling following Tata Steel UK's announcement, Cabinet agreed an additional £4.75m at Final budget 2024-25 for the ReAct+ programme and other key employability programmes including Jobs Growth Wales+ and Communities for Work+. The £4.75m has been baselined for draft budget 2025-26 to ensure that the Welsh Government employability programmes are able to support any increase in demand from displaced Tata workers.

The Board has brought all our support mechanisms together, including those provided by community groups to provide a holistic approach to helping those workers, their families and the wider communities impacted by Tata's proposed transition. Therefore, it is not possible to accurately quantify the value of support being provided in monetary terms.

Tech Valleys

Recommendation 11.

The Welsh Government should set out how they intend to meet their commitments to spend £100 million on the Tech Valleys programme by 2028, and set out how much progress has been made towards the aim of creating 1,500 sustainable jobs through the programme

Response: Accept in principle

Political and economic landscape changes in Wales and world-wide since the original Tech Valleys vision and commitments were created in 2017 have made the original highly aspirational objectives of the Tech Valleys programme much harder to reach. Despite this, significant achievements have been made in the delivery of projects under the three inter-related Tech Valleys strands of infrastructure, skills and business growth. (see [Tech Valleys programme | GOV.WALES](https://gov.wales/tech-valleys-programme/)).

While it may no longer be possible to achieve the original Welsh Government commitment to spend £100 million on the Tech Valleys programme by 2028, given wider budget pressures, projects continue to be developed and the geography of the programme will continue to widen in order to utilise the potential impact of the Tech Valleys investment across the wider northern south Wales valleys and to help lever-in collaborative investment such as with the Cardiff Capital Region Northern Valleys Initiative.

To-date the Tech Valleys programme has:

- committed over £43 million to projects in the growing portfolio, and we are continuing to work with partners to identify and develop new projects;

- helped create 298,000 sq. ft. of new and refurbished floor space enabling a figure of 600 potential jobs;
- helped raise STEM skills performance in local schools and colleges through the Tech Valleys STEM facilitation project and the Welsh Valleys Engineering Project.
- funded the National Digital Exploitation Centre and ResilientWorks, two cyber initiatives operated by Thales.
- ensured the successful direction of UKG LUF to Blaenau Gwent to create the High Value Engineering Centre – a hi-tech training facility for up to 600 student and commercial users that will be opening at the end of 2025.
- made significant invested in primary and secondary schools purchasing HiVE hub equipment to encourage children to gain skills and take on STEM subjects.

Broadly 700 jobs have been supported by investment from the Tech Valleys programme, primarily as a result of the creation of new or refurbished floor space. This number will continue to grow over the remaining years of the Tech Valleys programme.

3. Trade

EU Exit

Recommendation 12.

The Welsh Government should provide further information on the way in which the UK-EU Trade and Cooperation Agreement is co-ordinated across Welsh Government departments since its trade team took on additional responsibility for EU exit.

Response: Accept

Work on the UK-EU Trade and Co-operation Agreement is now co-ordinated by the Trade Policy team, with support from the wider International Relations directorate, including our Brussels-based team.

The Trade Policy team already co-ordinates work on the negotiation and implementation on UK trade deals and is already in direct contact with many of the teams that are impacted by the TCA. In addition to direct contact with these teams, an internal group for Trade and EU relations has been established. The group is attended by officials across the Welsh Government, whose areas of work intersect with either the EU TCA, or trade agreements more broadly.

Recommendations 13 & 14 will be responded to by the Deputy First Minister and Cabinet Secretary for Climate Change & Rural Affairs

4. Export, Trade and Inward Investment

Recommendation 15.

The Welsh Government should provide the update on the Export Action Plan as soon as possible and no later than the end of this spring term.

Response: Accept

Officials will provide a written update on the Export Action Plan prior to the end of this spring term.

Holyhead Port

Recommendation 16.

The Welsh Government should confirm whether there will be any changes made to either the draft allocation or the focus of planned spend under the Export, Trade and Inward Investment BEL to support businesses affected by the temporary closure of Holyhead Port.

Response: Reject

The Export, Trade and Inward Investment BEL is to deliver the Export Action Plan for Wales, and promoting Wales for inward investment, therefore this BEL will not provide any direct support for businesses affected by the temporary closure of Holyhead port.

We are continuing to explore potential additional support and we will update the committee in due course.

5. Rural Affairs

Recommendations 17-20 will be answered by the Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs