

Scrutiny of the Welsh Government's Draft Budget 2026-27

December 2025

On 14 October the Welsh Government laid its Draft Budget for 2026-27 before the Senedd. This report outlines the Committee's views on the Draft Budget, and its recommendations.

Evidence

- 1.** This report draws on evidence given to the Committee in its budget scrutiny meeting on 26 November 2025. In that meeting the Committee held three scrutiny sessions.
- 2.** The first session examined rural affairs with the Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs ("the Deputy First Minister"). The second session examined trade and border related issues with the Deputy First Minister and the Cabinet Secretary for Economy, Energy and Planning ("the Cabinet Secretary"). The final session looked at the economy and skills, with the Cabinet Secretary and the Minister for Culture, Skills and Social Partnership ("the Minister") providing evidence.
- 3.** In all three sessions Ministers were accompanied by supporting officials. This report also draws on written evidence provided to the Committee by the three Ministers ahead of the meeting. The report is set out in three chapters broadly covering the economy and skills; trade and borders; and rural affairs.



Unallocated funding

4. The draft budget contains an unallocated sum of £380m. The Deputy First Minister explained:

"There is a small allocation that is available for use across the whole of the Cabinet space, and the invitation has been put there to all party leaders to come in, and party spokespeople to come in, and talk to us about what their priorities are within that unallocated space."

*He went on to say "we are convinced of as a Government is that there's a priority here for protecting front-line public services that people rely on on a day-to-day basis, however, we've opened the door for discussions on it."*¹

5. The Committee is aware that there will be many calls on this funding. We believe it could be well spent across the economy, trade and rural affairs remits, however we are sure every other Committee will feel the same about areas within their remit. As a result, we have prioritised recommendations for additional spend on areas where this will have the greatest impact.

Budget Agreement

6. On 9 December the First Minister announced the Welsh Government has reached a budget agreement with Plaid Cymru. There were three elements to the agreement:

- Additional funding for local government in 2026-27 – an extra £112.8m, which provides an overall 4.5% increase to the local government settlement. All councils will receive increases above 4%.
- Additional funding for the health and social care budget – an extra £180m, which, taken with the funding in the Draft Budget, is equivalent to a 3.6% increase in 2026-27.
- £120m of capital funding will be available to the next government after the Senedd election to allocate.²

¹ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraphs 17 & 18

² Welsh Government [Written Statement: Budget Agreement](#)

7. Apart from those remarks, the announcement did not specify how the additional funding would be allocated. The Committee reviewed evidence and examined the draft budget prior to this statement. Accordingly, the report is based on the budget as presented and does not incorporate any implications from the new announcement.

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1. Economy and Skills

Allocations

8. The Economy, Energy and Planning Main Expenditure Group (MEG) revenue allocation in the draft budget was £523 million, this is an increase of £10m or 1.9% against the baseline. The capital allocation was £340 million. It should be noted this includes a number of budget lines which fall outside the economy and skills remit of this Committee including planning and energy, which are scrutinised by the Climate Change, Environment, and Infrastructure Committee.³

Business Support

9. The revenue draft budget for Business Wales has increased by £40,000 between 2025-26 and 2026-27 – an increase of 0.2%. The Cabinet Secretary's paper outlines the financial pressures the Welsh Government is facing in delivering business support:

"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."*⁴

10. The Cabinet Secretary's paper goes on to state that, due to financial constraints over the previous few years, "a strategic decision was made to utilise digital platforms to enhance delivery capacity". This has reduced face-to-face interactions, but has meant that service levels have been maintained. However, the Cabinet Secretary said "it is worth considering whether this approach remains

³ Written evidence, ~~the Cabinet Secretary's paper~~

⁴ Written evidence, ~~the Cabinet Secretary's paper~~

appropriate in the current context, particularly as businesses face increasingly complex challenges that may benefit from more direct, personalised support".⁵

11. On 18 November the Welsh Government published the report of its internal review of business support. This found that Business Wales was recognised and trusted, and that it generates up to £18 in GVA for every £1 invested. However, it also found that SMEs struggle to access finance, with concerns that application processes are complicated and time-consuming, and made 23 recommendations. The report also concluded that:

"There is a prevailing sense of fragmentation with three levels of government, further and higher education, and the private sector all delivering business support of some form".⁶

12. In her session with the Committee the Cabinet Secretary noted:

"the areas for improvement [in the report] included things such as removing duplication—clarifying and simplifying the business offer. I think those kinds of things could release funding to be reinvested in the more direct support that we provide to business."

"Again, this is another area where, if budgets were endless, we would obviously want to do more in this particular space. But the response that we had from business to the advice and information that they get through Business Wales has been really excellent: more than 85 per cent say that they valued and found useful the support that they received as a result. So, we absolutely want to do more in this space."⁷

13. Since the Pandemic, the Welsh Government has included specific funding to provide business rates relief for the retail, hospitality and leisure sectors in each budget. In the 2025-26 Budget, £78m was allocated to support these sectors with business rates bills.⁸

14. That support is not included this year. Instead the Welsh Government will reform business rates to include a new lower multiplier for small and medium-sized retailers from 2026-27, along with a higher multiplier for high value

⁵ Written evidence, [the Cabinet Secretary's paper](#)

⁶ Gov.Wales [Business Support Review](#)

⁷ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraphs 339 & 340

⁸ Gov.Wales [Written Statement: Non-domestic rates support in 2025-26](#)

properties with a rateable value above £100,000.⁹ The Cabinet Secretary for Finance and Welsh Language has said the new retail multiplier will “reduce the non-domestic rates bills of eligible ratepayers by around £20m” in 2026-27.¹⁰

15. The Cabinet Secretary’s paper states “The Welsh Government’s non-domestic rates arrangements for 2026-27 will be determined as part of the preparations for our Final Budget. This will take account of all relevant information following the UK Government’s Autumn Budget and the outcome of the next non-domestic rates revaluation, which will also take effect on 1 April 2026”.¹¹

16. Stakeholders have questioned why this new multiplier is not being extended to the leisure and hospitality sectors, considering they also face similar challenges to retail businesses. FSB Cymru’s evidence to the Finance Committee said:

“Given that across most other areas of policy they are assigned together as they face similar challenges, we do not see why this policy should be treated differently and extricate Retail from Hospitality and Leisure in terms of support.”¹²

17. In her session the Cabinet Secretary told Members:

“The reason why retail was chosen in the first instance to use this new power in relation to non-domestic rates was because it competes uniquely, I think, with online sales, and it finds itself in a vulnerable position in that particular way. So, I think that’s why this sector was particularly chosen.

It’s also worth recognising, of course, that around two thirds of businesses pay no non-domestic rates, in any case, because of their size, and also 80 per cent of businesses either pay nothing or have a reduced bill. So, in the event, it’s only 20 per cent of businesses who pay their full liability in any case, because we’ve got such a wide range of support available.”¹³

⁹ Gov.Wales [Proposals for non-domestic rates differential multipliers: summary of responses](#)

¹⁰ Cabinet Secretary for Finance and Welsh Language, [Written Statement: Non-domestic rates support for 2026-27](#)

¹¹ Written evidence, [the Cabinet Secretary’s paper](#)

¹² Written evidence to the Finance Committee, [Welsh Government Draft Budget 2026-27 FSB Cymru response](#)

¹³ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraphs 356-257

18. The Cabinet Secretary went on to say that she anticipates that “as we get to grips more with the new power that we have, there will be other ways in which we can look to use the tool”.¹⁴ She also explained there are other packages of support available for the hospitality and leisure sectors. She specifically cited the expanded weather proofing fund and the tourism investment fund as examples.¹⁵

Our view

We were concerned to hear about the financial pressures affecting provision of Welsh Government business support outlined in the Cabinet Secretary's paper. Every £1 invested in Business Wales generates up to £18 in GVA, which shows the impact allocations to this area have on economic growth.

We welcome the opportunities to deliver savings through the use of AI, eliminating duplication and simplifying the business support offer. However, these must be considered against the clear statement in the Cabinet Secretary's paper that “Within the current budget envelope, it is no longer feasible to maintain the same level of outputs and activity as previously delivered”, and the need for increased face-to-face support for businesses experiencing complex challenges. We therefore believe the Welsh Government should prioritise allocating some of the £380 million unallocated funding from the draft budget to Business Wales.

We welcome the reduced business rates multiplier for retail and hope this will help support our struggling high streets. We would be grateful if the Welsh Government could confirm how the support offered to eligible retail businesses through the introduction of the multiplier compares to that available through the relief available to retail, hospitality and leisure businesses in 2025-26.

However, we recognise that leisure and tourism are also a vital part of our high streets that are both growing and help to drive footfall. The next Welsh Government should monitor the impact of the new business rates multiplier on the high street retail sector and look to extend this at the earliest opportunity to hospitality and leisure high street businesses if it is successful.

Recommendation 1. The Welsh Government must increase funding to Business Wales to a level that it can maximise its positive impact on GVA.

¹⁴ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 358

¹⁵ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 361

Recommendation 2. The Welsh Government should update the Committee regarding progress in implementing the Business Support Review recommendations.

Recommendation 3. The Welsh Government should set out how the support for eligible retail businesses through the introduction of the new retail multiplier compares to that available through the relief offered through the Retail, Hospitality and Leisure Rates Relief scheme in 2025-26.

Recommendation 4. The next Welsh Government should monitor the impact of the new business rates multiplier on the high street retail sector and look to extend this to hospitality and leisure high street business at the earliest opportunity if it is successful.

Tech Valleys

19. The Cabinet Secretary's paper outlines draft budget allocations to the Tech Valleys programme of £5 million capital and £1.76 million revenue.

20. The Tech Valleys Programme was launched in 2017 and “aims to make the south Wales Valleys a globally recognised centre for developing new technologies to support cutting edge industry.”¹⁶ The Welsh Government committed to spend £100 million on the Tech Valleys programme over a ten-year period, with the aim of creating 1,500 new jobs over the next ten years.¹⁷

21. However, in response to the Committee's last draft budget report¹⁸ the Cabinet Secretary said:

“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

¹⁶ Gov.wales [Tech Valleys Programme](#)

¹⁷ Welsh Government, [Vision for Tech Valleys](#)

¹⁸ Economy, Trade and Rural Affairs Committee: [Scrutiny of the Welsh Government Draft Budget 2025-26](#)

lever-in collaborative investment such as with the Cardiff Capital Region Northern Valleys Initiative.”¹⁹

22. In the evidence session for this year's Draft Budget the Cabinet Secretary told Members roughly £40 million²⁰ of the £100m target had been spent. When asked if the £100 million was achievable she said:

“I think those will be decisions of future budgets. But, certainly, there's no lack of ambition, no lack of opportunity, I think, to spend, particularly in supporting businesses with skills.”²¹

23. The Committee pressed the Cabinet Secretary on the issue that £60 million remained outstanding to fulfil the commitment, with only two years left to spend it if Welsh Government were to meet the deadline. Members were also keen to understand the link between Tech Valleys and other investment such as the £2 billion²² Heads of the Valleys road upgrades. The Cabinet Secretary responded that in order to maximise investment in the northern Valleys:

“we've set in train the work between the northern Valleys initiative and Tech Valleys in order to try and make sure that what we're offering is coherent. And it's not just the Tech Valleys budget, of course, which can benefit this space. We've got our property portfolio budget, which I'm really keen, again, is used to support development around the A465 to maximise the benefits that we receive from that particular investment.”

24. Tech Valleys set out to create at least 1,500 new sustainable jobs. The Cabinet Secretary's response to the Committee's previous budget report sets out that 700 jobs have been supported but it is not clear how supporting jobs relates to the original intention of creating at least 1,500 sustainable jobs.²³ The Cabinet Secretary offered to provide further details on the 700 jobs supported, in writing following the session.²⁴

¹⁹ Welsh Government: [Response to the Economy, Trade and Rural Affairs Scrutiny of Welsh Government Draft Budget 2025-26](#)

²⁰ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 401

²¹ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 403

²² [Bbc.co.uk 'Road from hell' fully reopens after 23 years](#)

²³ Welsh Government, [Response to Economy, Trade and Rural Affairs Committee: Scrutiny of the Welsh Government Draft Budget 2025-26](#)

²⁴ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 442

Our view

We are concerned that the Tech Valleys programme is not delivering what was committed to the local community back in 2017. The long-standing economic challenges faced by the area, and the clear opportunities to deploy the funding to complement the investment in the A465 to address these, make it disappointing that the roll out of funding has not been significantly faster.

While other funding streams can supplement the support provided through Tech Valleys, the fact remains that the Welsh Government committed to provide £100m over a ten-year period to support the Tech Valleys initiative. It should honour that commitment to the local communities, who were promised that investment would take place. However, as it has taken 8 years to spend £40m on this project, we have concerns the Welsh Government will be able to invest the remaining £60m in two years. The Welsh Government should clarify what it believes is achievable for the Tech Valleys project and issue a revised timeline for that achievement.

Recommendation 5. The Welsh Government should retain the £100m target for Tech Valleys, clarify what is achievable for the Tech Valleys project and issue a revised timeline for that achievement.

Recommendation 6. The next Welsh Government should honour the Tech Valleys commitment and invest the outstanding balance of project as quickly as possible.

Productivity and competitiveness

25. In their evidence to the Finance Committee, the National Institute of Economic and Social Research highlight:

“Substantial recent revisions to ONS data on the labour market (including historical data) have cast new light upon Welsh productivity. Wales has been experiencing somewhat stronger growth in output (GVA) post-pandemic but also substantially weaker and flat employment trends well below post-pandemic levels together with higher and rising inactivity. However, this implies somewhat more stronger productivity trends relative to most English regions,

comparable to Scotland and London, even if productivity levels are still lagging far behind.”²⁵

26. FSB Cymru were also concerned about productivity:

“The Welsh Government could help restore confidence amongst business owners that they can work together to deliver a successful partnership for growth by reviewing, developing and growing business support funding in areas which could drive up productivity.”²⁶

27. In their response to the Finance Committee's consultation on the Draft Budget, the Wales Productivity Forum outlined three elements of Wales' productivity challenge:

- Wales shares the UK's 'productivity puzzle', the slowdown in productivity growth across the UK since the 2008 financial crisis;
- Wales' productivity is considerably below the UK's average (the latest ONS statistics show output per hour is 15% less than the UK average and the lowest of all devolved nations and English regions), and “has shown little signs of convergence over time”.
- There is considerable variation in productivity within Wales, with areas such as Powys, Gwynedd, Conwy and Denbighshire having some of the lowest levels of productivity in the UK.²⁷

28. Professor Melanie Jones from Wales Productivity Forum told the Finance Committee the Forum had a set of indicators which it believed if you improve, productivity will improve; she went on to say Wales was constantly in the red. Professor Jones told Finance Members rectifying this would involve both public and private sector investment. She went on to highlight there were some other areas that also needed work, saying:

“We have some challenges around a relatively high proportion of the population with low skills. We also have challenges around health, so

²⁵ Written evidence to the Finance Committee, [Welsh Government Draft Budget 2026-27 National Institute of Economic and Social Research response](#)

²⁶ Written evidence to the Finance Committee, [Welsh Government Draft Budget 2026-27 FSB Cymru response](#)

²⁷ Written evidence to the Finance Committee, [Welsh Government Draft Budget 2026-27 Wales Productivity Forum response](#)

a relatively high concentration of people with long-term limiting health problems. We also have, just by our geography, a relatively peripheral, a lack of agglomeration economy. We often think about productivity being highest in concentrations where you've got well-connected urban centres. So, things like investment in infrastructure, transport, digital infrastructure are all the kind of factors that we can't pin down exactly what they're going to do to Wales's productivity, but if you invest in those areas, we believe that that would also improve productivity.”²⁸

29. In their written evidence for the Finance Committee, the Forum made a list of recommendations:

- The Welsh Government needs to establish a long-term commitment to improving productivity, with independent guidance and assessment of performance.
- A national productivity growth plan should identify short, medium, and long-run priorities to support productivity growth.
- Wales needs a national conversation on productivity. Collaboration between policymakers, businesses, public sector service delivery providers, and individuals is essential to address the scale of the challenge.
- Business support should include advice, guidance, and best practice on how to achieve productivity growth, and the benefits of this.
- There should be a focus on public sector productivity growth as a means of supporting future public service delivery.
- Addressing Wales' productivity challenge is a long-term and intergenerational project. It will require significant government investment in people and infrastructure.²⁹

30. The Cabinet Secretary's written evidence for the Committee's general scrutiny session on 3 December states that:

²⁸ Finance Committee, 20/11/2025, Paragraphs 21-22

²⁹ Written evidence to the Finance Committee, Welsh Government Draft Budget 2026-27 Wales Productivity Forum response

*"While UK productivity fell by 0.2% in 2023, Wales's productivity increased by 1.3%. Out of the 12 International Territorial Level 1 regions in the UK, made up of Wales, Scotland, Northern Ireland, and 9 English regions - productivity growth in Wales between 2022 and 2023 ranked 2nd. Wales's productivity growth (14.1%) has been higher than that for the UK as a whole (10.5%) since 2009."*³⁰

31. On 8 October, the Welsh Government published the SME productivity review. This highlights that, given the greater importance of SMEs to the Welsh economy than in other parts of the UK, supporting increased SME productivity is "therefore crucial to improve economy-wide productivity performance".³¹

32. In her session the Cabinet Secretary told Members:

"We absolutely recognise that productivity is a challenge, and it's something that the First Minister has taken a strong personal interest in as well. We've actually had specific Cabinet meetings looking at productivity, and we recognise that it is an issue that is not just for the economy department; actually, this is a cross-Government endeavour, because things such as investment in transport, investment in education, all make a difference in terms of productivity.

*There's definitely, though, things that we can be doing in our particular portfolio, and that very much is about the investment that we're making in skills. That's a particular priority for us in Government, and you'll see the uplifts in relation to apprenticeships, for example, within the portfolio. We've also had some really good meetings with the representatives from the Wales productivity forum, looking specifically at their research and what that means for us here in Wales."*³²

Our view

Productivity is a perpetual challenge for the UK, and for Wales in particular. Our poor productivity rate makes us less competitive, and directly affects households' incomes and living standards. Increasing productivity would also

³⁰ Cabinet Secretary for Economy, Energy and Planning, [Written evidence for general scrutiny session](#), 3 December 2025

³¹ Gov.Wales [Economic mission: SME productivity review](#)

³² Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraphs 318-319

lead to higher tax receipts and more resources becoming available to deliver public services. Whilst we accept it is not an easy challenge, and will require the long-term commitment and co-ordinated action set out by the Wales Productivity Forum – facing this issue needs to be a key priority for the Welsh Government and future governments.

Recommendation 7. The Welsh Government should include a high-level commitment to productivity growth in the Final Budget and consider implementing the Wales Productivity Forum's recommendations, especially creating a national productivity plan, to support this aim.

Employment support and economic inactivity

33. Economic inactivity has increased since 2019, and the Welsh Government intends to “arrest and reverse” this increase, and respond to the challenge of long-term sickness.³³

34. A recent paper by the Institute of Directors Wales highlights the employment and economic inactivity challenge Wales faces. The paper states:

“Wales’ economic inactivity rate currently stands at 25.6%, which is higher than the UK average of 21.6%, making Wales the second highest among UK nations after Northern Ireland (ONS). Coupled with economic inactivity, the latest quarterly figures also showed that Wales had the lowest employment rate of working age adults of any UK nation or region at just 69.9%, compared to a UK average of 75%.”³⁴

35. The Learning and Work Institute Wales wants the Welsh Government to set a target to close the employment gap between Wales and the UK, which under the current position would require at least 60,000 more people to find and stay in work.³⁵

36. The Learning and Work Institute Wales has called for an additional £180 million per year to be spent on employment support, in particular to help economically inactive people into work.³⁶ It suggests that across 10 years, an

³³ Welsh Government, [Consultation document: Proposals for an approach to the UK Local Growth Fund in Wales](#)

³⁴ Iod.com [IOD Wales: Economic Inactivity](#)

³⁵ Learning and Work Institute Wales, [A Work, Health and Skills Plan for Wales](#)

³⁶ Ibid.

investment of £1.8 billion (£180 million per year) would get 35,000 to 65,000 people into work, contributing an extra £1.4 billion in GDP and lowering welfare spending by £300 million to £500 million.³⁷ However, the Learning and Work Institute Wales believes a number of other measures could be taken to reduce the additional costs of this approach, for example creating an Employment Support Network for Wales to address the fragmentation of existing provision, and working with employers to improve retention of disabled employees.

37. Their paper suggests a number of approaches to address economic inactivity. These include introducing wage subsidies and/or tax breaks for employers hiring economically inactive young people, partnering with employers to offer 'earn while you learn' programmes, and rolling out the economic inactivity trailblazer across Wales.³⁸

38. Jobs Growth Wales+ is the Welsh Government's flagship programme providing a holistic and tailored package of support for young people who are, or who are at risk of becoming, not in education, employment or training (NEET). The funding allocation for Job Growth Wales+ has increased from £32 million in 2025-26 to £34 million in 2026-27. The Minister's evidence paper suggests this additional funding of £2 million is intended to support the programme's additional demand.³⁹

39. In March, the Equality and Social Justice Committee published 'Tackling the Disability Employment Gap'. The report explains the Disability Employment Gap (DEG) is the percentage point difference in employment rates between disabled and non-disabled people. It states that "between 2015-16 and 2023-24, the DEG in Wales has declined from 35.4 percentage points to 30.9 percentage points. However, it is consistently higher in Wales than elsewhere in the UK."⁴⁰

40. The premise of the report is that "those who want, and are able to, should have the dignity of work". Two key findings of the report are:

- The Welsh Government should address gaps and introduce greater flexibility into the eligibility criteria of key support programmes for disabled applicants.

³⁷ Ibid.

³⁸ Iod.com [IOD Wales: Economic Inactivity](#)

³⁹ Written evidence, [the Cabinet Secretary's paper](#)

⁴⁰ The Equality and Social Justice Committee report [Anything's Achievable with the Right Support: Tackling the Disability Employment Gap](#)

- Future supported employment provision should “build on the success of schemes such as the Engage to Change project”, and specialist job coaching should be a priority for future provision.⁴¹

41. Engage to Change was a programme that aimed to “support young people aged 16-25 who have a learning difficulty, learning disability and/or autism to achieve their full potential”. This support included overcoming barriers to employment by providing the participants with transferable skills and work experience.⁴²

42. The Engage to Change project ended on 31 March 2025.⁴³ The Committee asked the Minister about support to enable disabled people to access work and he told Members the additional funding for wider employment support programmes would allow them to be more tailored to individual needs. He said:

“if you think about the support that the Jobs Growth Wales programme can offer, the additional £2 million in this budget allows for more targeted support. The Communities for Work Plus programme has very much targeted support for people who need it the most”.

43. He went on to say “The lessons from Engage to Change I’m keen to see learned in the wider employability support programme for which we are going through the procurement process now.”⁴⁴ He also told Members he would discuss the Institute for Directors Wales suggestions around incentivising employing economically inactive people with the UK Government.⁴⁵

44. The Economic Inactivity Trailblazer is a pilot to support localised approaches to reduce economic inactivity, which is operating in Blaenau Gwent, Denbighshire and Neath Port Talbot. The Minister explained:

“The trailblazer scheme, Chair, in this year, was committed £10 million by the UK Government. It’s a UK Government-funded programme. There are trailblazers across the country, and we have a Welsh trailblazer, which are the three areas, and there will be up to £10

⁴¹ The Equality and Social Justice Committee report [Anything’s Achievable with the Right Support: Tackling the Disability Employment Gap](#)

⁴² [www.engagetochange.org.uk: about us](http://www.engagetochange.org.uk/about-us)

⁴³ Learning Disability Wales, [Engage to Change comes to an end but the legacy lives on](#)

⁴⁴ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 538

⁴⁵ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 540

*million again this year. It's not in this draft budget we see, but we expect it to come through in an in-year transfer later down the line. How local authorities access that programme is they draw down through us. So, it's passported to us and then we offer a grant scheme to the local authorities."*⁴⁶

45. The Minister told Members the projects were doing "some really incredible work" and that he was working to ensure lessons could be learnt not just from the Welsh project but also from the other projects around the UK. He explained "the lessons will be not just for what happens after that, but for our own employability support programme that we want to take forward. Moving through that procurement stage now, we'll learn some of the lessons from the innovative approaches from each area to that."⁴⁷

46. The Minister told Members that alongside the Trailblazers the Welsh Government would be allocating £16m to support Communities for Work Plus. He said these two funds were "a very good starting point for us. It's a sustained budget on where we are now, and with the trailblazer as well, that all helps, doesn't it, where we can invest further into getting people into work, and that's the ambitions of both programmes."⁴⁸

47. When asked about funding for Jobs Growth Wales+ the Minister told Members:

*"I think the additional £2 million is a welcome investment in the Jobs Growth Wales programme. I do think it's sufficient to meet the demand of the programme, and it's been a successful programme since it started. I think it's helped over 5,000 NEETs per year since the programme started, and the £2 million will go on to support the programme further. It'll help it sustain delivery capacity and strengthen that target to support"*⁴⁹

48. The Minister was also pressed on whether the Welsh Government could meet any demand for additional support created by raising unemployment rates or by companies closing. The Minister responded:

⁴⁶ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 473

⁴⁷ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 374

⁴⁸ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 482

⁴⁹ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 484

"ReAct is a demand-led programme. We can't envisage what the demand might be in the future, but I think in the draft budget, we're confident that we would be able to react in the way that the committee would like to see us do, and I think that's reflected in the budget of where we are, that we could meet the demand of the programme."⁵⁰

Our view

Economic inactivity has increased over recent years, and we welcome the Welsh Government's intention to reverse this, and to respond to the challenge of long-term sickness. The Welsh Government's employability support programmes, alongside UK Government provision, will play a key role in supporting people into work and achieving the Welsh Government's objective.

Ahead of the new employability support programme, due to come into operation during 2027, the Welsh Government needs to use its allocations to tackle economic inactivity to maximum effect in this draft budget. It should consider recent proposals from organisations such as the Institute of Directors Wales and the Learning and Work Institute Wales in doing so.

We strongly support the central premise of the Equality and Social Justice Committee's report on tackling the disability employment gap, namely that those who want, and are able to, should have the dignity of work.

We were disappointed with the lack of specific funding to continue the work of Engage to Change. We appreciate that the Minister intends to apply the learning from that programme to the development of a wider employment support programme due to commence in 2027, and that the additional funding for Jobs Growth Wales + allows for more targeted support. However, we are concerned that in the meantime there may be a gap in provision for people with learning disabilities who require the tailored support that Engage to Change offered. We believe the Welsh Government should monitor this, and take action to ensure suitable provision is available where there are gaps.

Unemployment is creeping up and the Bank of England has warned that the AI bubble may burst. The Welsh Government must have a plan for an increase in unemployment as promptly helping people who have lost their job to find a new one is crucial for their wellbeing and for those who depend on their

⁵⁰ Economy, Trade, and Rural Affairs Committee 27/11/2025 26/11/2025 Paragraph 489

income. Early intervention is also more effective. The Welsh Government must be confident it is able to fund programmes like ReAct+ if the increase picks up or spikes.

Recommendation 8. The Welsh Government should consider how existing and new funding streams can be best used to support economically inactive people into work. As part of this work, it should explore how proposals recently developed by the Institute of Directors Wales and the Learning and Work Institute Wales can contribute, and consider whether additional funding from the 2026-27 budget could be used to pilot any elements of these proposals ahead of the roll-out of the new employability support programme in 2027.

Recommendation 9. The Welsh Government should monitor the increased investment into employment support services to ensure they are supporting people with learning disabilities to access the job market. If gaps are found in provision, the Welsh Government must take action to provide specialist services similar to those offered under the Engage to Change programme.

Recommendation 10. The Welsh Government should set out how it will respond to further rises in unemployment, particularly if there is any labour market shock, and how it is ensuring sufficient funding is available for programmes such as ReAct+, so they are fully prepared to respond to any increase in unemployment. The next Welsh Government must also ensure preparing for a possible increase in unemployment is part of their financial plans.

The Global Centre of Rail Excellence

49. In September the Committee visited the Global Centre of Rail Excellence (GCRE). As part of that visit, the GCRE presented a vision with the Centre driving economic regeneration for the area, and the potential to create secure, well-paid jobs in an area affected by deindustrialisation to Members.

50. To date, the GCRE has received £50 million funding from the Welsh Government and £20 million from the UK Government. However, the project will require £330 million in private investment, which GCRE is currently looking to secure.⁵¹

51. In our general scrutiny session with the Cabinet Secretary on 3 December she told the Committee “I understand that the GCRE team intend to reissue a call to

⁵¹ Gcre.wales [Global Centre of Rail Excellence Q&A](#)

invest in 2026. So, clearly, we'll be doing what we can to support that.”⁵² An official accompanying the Cabinet Secretary told Members that the GCRE have now been allocated the full amount and it “will be close to full expenditure by the end of 2026.” The official added that around £5 million of this funding is subject to a number of gateway decisions.⁵³

Our View

We have undertaken work investigating the financial stability of the GCRE. With all Welsh Government funding now committed to the GCRE, which will be close to spending all of this by the end of 2026, we are concerned this potentially could have in-year budgetary consequences. We would urge the Welsh Government to ensure it has contingency plans in place to ensure best value is achieved from this investment should private sector investment not emerge before all public funds are spent.

Recommendation 11. The Welsh Government should clearly set out contingency plans alongside publication of the final budget to ensure best value is achieved from their investment in the GCRE if they do not achieve additional private sector investment next calendar year.

Skills

52. Medr is the Commission for Tertiary Education and Research. Operational since 1 August 2024, Medr are responsible for regulating and funding further education, higher education (including research and innovation), apprenticeships, adult community learning, and local authority maintained sixth forms.

53. Medr receive just under £150m from the Economy, Energy and Planning MEG under the BEL Apprenticeships Action. The BEL has been increased by just over £2m compared to the revised baseline for 2025-26. The Minister's paper suggests this increase intends to support the pressure created by funding additional starts in 2025-26.⁵⁴

54. In her evidence to the Children and Young People Committee, the Minister for Further and Higher Education clarified the relationship between Medr and Welsh Government as follows: “the Tertiary Education and Research (Wales) Act

⁵² Economy, Trade, and Rural Affairs Committee 03/12/2025 Paragraph 11

⁵³

Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 22

⁵⁴ Written evidence, the Minister's paper

2022 doesn't provide for Ministers to approve Medr's funding decisions." She went on to explain it was important Medr were "appropriately arm's length" but that "Medr will be subject to quarterly formal monitoring through meetings with Ministers and officials, but my officials meet with Medr colleagues weekly to collaborate on matters of policy and to provide an ongoing steer on topical issues and our ministerial priorities".⁵⁵

55. Medr told the Children, Young People and Education Committee one of their priorities for the unallocated £380m would be apprenticeship provision. They explained "we want to make sure that we can continue to support learners who've already started on their apprenticeship journey. We are on target to create 100,000 apprenticeship opportunities this Senedd term, but we need to make sure that we're continuing to support those learners, whilst also responding to the demand, and the growth, actually, in apprenticeships. So, we think that's one pressure we'll be flagging to Government."⁵⁶

56. Members explored the issue of forward pressures created by supporting apprentices to continue their study once they have started with the Minister. He told the Committee Medr has initially estimated these forward pressures would cost £6 million, however this had been revised down to £3.3 million. He went on to say "So, the £2.4 million increase goes some way to meet the demand".

57. According to the Minister's evidence paper, Welsh Government are expecting Medr to continue to offer an allocation of funding from the apprenticeship budget to support degree-level apprenticeships. Medr's 2025-26 degree apprenticeship allocations indicated the allocation will cover frameworks in the areas of construction, digital, engineering and advanced manufacturing.⁵⁷

58. Members discussed calls that have been made to expand degree apprenticeships. The Minister told the Committee that he was "confident that we have met the target of expanding degree apprenticeships because we've expanded access to degree apprenticeships."⁵⁸ However, he also discussed the potential for expanding the range of subjects on offer saying:

"we look at supporting degree apprenticeships where they add real value to the economy. So, we look particularly in the engineering space, in digital, and in manufacturing spaces. I think the budget that

⁵⁵ Children, Young People, and Education Committee 16/01/2025, Paragraph 143

⁵⁶ Children, Young People, and Education Committee 19/11/2025, Paragraph 260

⁵⁷ Written evidence, the Minister's paper

⁵⁸ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 523

we do provide, both through this portfolio and the education portfolio, goes some way to doing that. If we were to look at expanding degree apprenticeships even further than we already do, then that would require more investment, no doubt. But I think that's for a future Government to set their priorities.”⁵⁹

Our view

Whilst the Committee appreciates Medr is an arm's length body and as such does not take instruction directly from Ministers, we are interested to understand the steers Welsh Government provides Medr and how that translates into money spent. We would welcome further specific information on the steers provided around the Apprenticeship Action BEL and what Welsh Government expects Medr to do.

In line with our last draft budget report and our report on Apprenticeship Pathways, the Committee believes that, whilst encouraging apprenticeship uptake is important, it is equally essential that apprentices already studying can continue progressing through the skill levels on offer to help learners become the best they can in their chosen profession. As such, we were concerned to hear about the forward pressures on the apprenticeship budget.

We strongly believe the budget needs to be at least robust enough to support new and existing learners going forwards, and look for reassurances this is the case. Above that, we believe the apprenticeship budget allocated to Medr is a strong case for increased investment from the unallocated funds.

We were interested in the Minister's views on degree apprenticeship expansion and would like to hear his thoughts on if more subjects should be added to the programme, how much that might cost and what the benefits may be to learners and the economy.

Recommendation 12. The Welsh Government should provide the Committee with specific information on the steers provided around the Apprenticeship Action BEL and what Welsh Government expects Medr to do.

⁵⁹ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 515

Recommendation 13. The Welsh Government should clarify exactly how the forward financial pressure on the apprenticeship budget will be dealt with, including, if necessary, how additional funding will be identified.

Recommendation 14. The Welsh Government should strongly consider using unallocated funds to support the apprenticeship sector and more broadly to support apprentices access to study.

Recommendation 15. The Minister should set out his thoughts on if more subjects should be added to the degree apprenticeship programme, how much that might cost and what the benefits may be to learners and the economy.

2. Trade and borders

Allocations

59. While international trade is a reserved matter, trade agreements can include or have significant implications for devolved matters, such as the economy, agriculture and the environment. Welsh Ministers have responsibilities to deliver arrangements agreed by the UK Government in trade negotiations. They are also duty-bound by constitutional arrangements to comply with international obligations. The Welsh Government also has an important role in promoting Welsh trade and supporting importers and exporters.

60. Trade-related BELs can be found in two MEGs:

- Two Border Controls BELs (Climate Change and Rural Affairs MEG); and
- Export, Trade and Inward Investment BEL (Economy, Energy and Planning MEG).

61. The Committee notes that the Deputy First Minister and Cabinet Secretary submitted similar written evidence as for 2025-26 Draft Budget scrutiny with limited updates. When it was suggested to them that the updates did not adequately cover significant developments this year in international trade, UK-EU trade and border controls, the ministers confirmed that they were satisfied that their written evidence reflected the current position.

Border Control Posts (BCPs)

62. In June, the Deputy First Minister announced he had “decided not to proceed with the final commissioning and staffing of the Holyhead BCP, and not to take forward construction of BCPs at Fishguard and Pembroke Dock” in anticipation of a UK-EU Sanitary and Phytosanitary (SPS) agreement. Depending on its contents, an SPS agreement could reduce or even eliminate trade controls required after Brexit. The phased implementation of these is set out in the Border Target Operating Model (BTOM).⁶⁰

63. The revenue Border Controls BEL allocation is £4.171m. This marks a 10.6% increase compared to the Revised Baseline for 2025-26 but a 1.7% increase compared to 2025-26. The Deputy First Minister’s paper explains:

⁶⁰ Gov.Wales [Written Statement: Border Controls on imports into Wales from Ireland](#)

"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.

*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."*⁶¹

64. The Deputy First Minister explained that the allocations for 2026-27 align with the original amounts required to complete Holyhead, Fishguard and Pembroke Dock border control posts in readiness for the BTOM.⁶²

65. The capital BEL allocation for 2026-27 comprises a UK Government contribution of £28.984m. This is ring-fenced capital funding for BCPs. This follows a £28.955m capital and £357k revenue contribution from HM Treasury towards BCP build costs for 2025-26.

66. He went on to note that, should the posts no longer be needed:

*"any underspend of UK Government funding [for Border Control Posts] will be returned to His Majesty's Treasury".*⁶³

67. The Deputy First Minister discussed the long running dispute between the Welsh and UK Governments regarding who should pay BCP running costs:

"Bear in mind that we may still need these facilities. That's why we're still standing them up ready and maintaining them, in case they are needed. However, there are also the running costs of these. So, it's not just the capital expenditure from HM Treasury and from us as well.

And bear in mind that our position is that this is a cost incurred because of EU withdrawal. On that basis, the cost should fall to the UK Government, not to us. We maintain that position. We maintain it publicly. We maintain it in direct discussions with the UK Government.

⁶¹ Written evidence, ~~the Deputy First Minister's paper~~

⁶² Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 237

⁶³ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 238

But the running costs are also there as well. So, we'll have to look at that as that goes forward. [...] We might find a situation where these are required for some sort of border controls, and then we will have to look at that again..”⁶⁴

68. The Deputy First Minister confirmed how much has been spent on BCPs in Wales:

“up to the end of the 2024-25 year, we've spent £55.1 million developing BCPs in Wales. This is the cost of the friction or the decisions that were taken. However, £47 million of that has been contributed by HM Treasury. As I described, if we find, going forward, that we don't need to continue investing, then we'll talk about that at that point. So, yes, that's a direct cost.”⁶⁵

69. He agreed to provide an estimate to the Committee on costs to businesses, including administrative costs incurred.

70. The Cabinet Secretary added “there's an opportunity cost, because this issue has taken up an awful lot of official time and ministerial time as well, over a number of years now”.⁶⁶

Export, Trade and Inward Investment

71. The Export, Trade and Inward Investment BEL allocation remains £3.753m which represents a real-term cut. The BEL comprises:

- £3.572m to deliver the Export Action Plan; and
- £0.180m for inward investment.

72. During oral evidence on the 2025-26 Draft Budget, the Cabinet Secretary explained that maintaining a flat budget for the previous budget cycle (2024-25) had led to reduced activity, such as fewer export development events.⁶⁷

73. The Committee noted the Cabinet Secretary's written evidence, which showed the value of goods exports for Wales as £17.1bn in the year ending June

⁶⁴ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 254

⁶⁵ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 252

⁶⁶ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 256

⁶⁷ Economy, Trade, and Rural Affairs Committee 15/01/2025 Paragraph 180

2025, down £1.5bn (8.2%) compared to the year ending June 2024⁶⁸. It also noted reductions in export values and volumes for the preceding comparative years since a 10.5% budget cut to this BEL in 2023-24.⁶⁹

74. When Members questioned if there was a link between the cut and the year-on-year reductions in exports, the Cabinet Secretary replied:

*"we'd have to be careful in terms of making that direct link, because, actually, the large bulk of exports go from businesses that don't actually need any Welsh Government support at all. So, our support tends to be for smaller businesses who are looking to export, potentially, for the first time, helping them open up new markets. So, I don't think you can make that direct correlation to the overall figure."*⁷⁰

75. She went on to highlight a potential issue with trade figures:

*"we're aware that HMRC has announced they'll be correcting the UK overseas trade in goods statistics, which they intend to publish in January, but corrected figures will then be published in March. That's because mineral fuels and oils, including petroleum, which is a major export for us here, has resulted in some ... misalignment of the data at HMRC, so it will be corrected for March. So, actually, we could see a significant difference in the overall figures."*⁷¹

76. One of the Cabinet Secretary's officials went on to say it was too early to know exactly what the correction would look like and Welsh Government would like to see the corrected figures before making an assessment. He also flagged "a period in which there's been quite a lot of general volatility. We've come through a period of COVID and Brexit, we've gone through global conflict. So, the overall export figures are very varied because of global events".⁷²

⁶⁸ Written evidence, ~~the Cabinet Secretary's paper~~

⁶⁹ Welsh Government ~~final budget 2023-24~~

⁷⁰ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 274

⁷¹ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 275

⁷² Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 278

Our view

Given SPS is a devolved matter, and the significant impact a UK-EU SPS agreement is likely to have on BCP development, it is vital that the Welsh Government keeps us updated on negotiations. This includes discussions between the Welsh and UK Government.

We were disappointed that the Welsh Government rejected our call to give quarterly updates on negotiations in response to our report on the implementation review of the Trade and Cooperation Agreement.

Our draft budget scrutiny makes it all the more essential that the Welsh Government keeps us updated with progress in this area and the expected impact on Welsh Government policy, operations and budget. This is especially true in light of the Deputy First Minister's confirmation that £55m has been spent so far on BCPs that may not be needed.

We welcome the Deputy First Minister's commitment to provide an estimate of costs to business relating to BCPs and administrative costs relating to the post-Brexit trade regime.

We accept it is a turbulent time for global trade. However, we were concerned by the Cabinet Secretary's evidence on export support and the reported decrease in exports.

The fact HMRC are in the process of reviewing UK trade statistics with a view to making corrections casts doubt on the accuracy of Welsh trade statistics used by the Welsh Government, the Committee, and others. It is also unclear which time periods are in scope of this review, and so some of the steep reductions in exports could be accurate since the Welsh Government has maintained a flat budget for export support. This hampers our ability to understand the effectiveness of the Welsh Government's activity as it relates to draft budget allocations.

Recommendation 16. The Welsh Government must keep the Committee updated on expected impacts of UK-EU negotiations on Welsh Government policy, operations and budget, particularly as they relate to Border Control Post development.

Recommendation 17. The Welsh Government should provide an estimate of costs to business relating to BCPs and administrative costs relating to the post-Brexit trade regime.

Recommendation 18. The Welsh Government should clarify which quarterly periods will be covered by the HMRC review of UK trade statistics in response to this report, and provide analysis to the Committee of its findings by March 2026.

3. Rural Affairs

Allocations

77. This section of the report covers the Rural Affairs and Office of the Chief Veterinary Officer (OCVO) Budget Expenditure Lines (BELs). The Deputy First Minister's paper notes the total resource allocation for these is £369.18m, an increase of £7.56m (2.1%) compared to the revised baseline.⁷³

78. According to the paper, the total capital allocation is £109.77m however this includes £28.98m of ringfenced HM Treasury funding for border control posts which was covered previously in this report. The Welsh Government's paper says a like-for-like comparison excluding the border control budget shows an increase of £1.58m (2%) compared to the revised baseline.⁷⁴

Agricultural support

79. There is a new BEL in this year's budget created to fund the Sustainable Farming Scheme (SFS). This BEL, 2792 Agricultural Support, replaces the Basic Payment Scheme, Rural Investment Scheme, and Rural Development Plan BELs. Agricultural support BEL is allocated £295.59m which is a 2% increase from the total allocation the legacy schemes had. Capital funding has also increased by 2% to £68.29m. The paper states there is £380m unallocated funding, comprising £231m fiscal resource, £136m general capital and £13m Financial Transactions Capital.⁷⁵

80. Farmers have called for an uplift in agricultural support funding which has remained at the same level for a number of years. NFU Cymru suggested that the allocation should be uplifted to account for inflation – which they calculate would mean the allocations for agricultural support should be “least £500m.” It said “At the very least the rural affairs and agricultural support budgets should see a pro-rata increase in allocations in line with the additional amounts of funding made available to the Welsh Government up until 2029-30 in the 2025 Spending Review”.⁷⁶

⁷³ Written evidence, ~~the Deputy First Minister's paper~~

⁷⁴ Written evidence, ~~the Deputy First Minister's paper~~

⁷⁵ Written evidence, ~~the Deputy First Minister's paper~~

⁷⁶ Written evidence to the Finance Committee, ~~Welsh Government Draft Budget 2026-27 NFU Cymru response~~

81. The FUW's response to the draft budget says "the SFS places greater societal and environmental demands on participating farming businesses, compliance with which will impose substantial additional costs". They go on to argue "for an uplift "in excess of £460 million" – based on the average EU CAP budget for the period of 2014 - 2020 for Wales, and the Bank of England Inflation Calculator."⁷⁷

82. The Deputy First Minister responded to the question about extra demands being placed on farmers by the SFS saying "The flip side of this is I think this is the only scheme ... certainly in the UK, but probably across the whole of Europe that has, for example, a social value payment within it." The Deputy First Minister went on to say "It's £107 per hectare. That's a social value payment that recognises the distinct characteristics of Welsh farming: small and medium-scale farming, the importance of the Welsh language—all of those things. This is actually built into the scheme."⁷⁸

83. The 2024 UK Government budget changed agricultural funding for devolved nations, consolidating it within each country's broader block grant using the Barnett formula rather than maintaining separate, ring-fenced allocations.⁷⁹ Wales has a significantly higher number of farmers per head, higher agricultural production and farming makes up a higher proportion of Welsh GVA compared to the UK average.⁸⁰ Despite only having around 4.5% of the population, we have around 11% of the UK agricultural workforce here in Wales.⁸¹

84. The Farming Unions have raised concerns about this change. NFU Cymru have advocated for a "fair agricultural support uplift mechanism", to reflect the level of agricultural production found in Wales relative to the rest of the UK, rather than a 'Barnettised' population share uplift, which it says "is very disadvantageous to Wales".⁸² FUW shares the concern about Barnettisation of the agricultural budget.⁸³

85. In February the First Minister told the Westminster Welsh Affairs Select Committee she felt this change was a "huge concern". She explained:

⁷⁷ Written evidence to the Finance Committee, [Welsh Government Draft Budget 2026-27 FUW response](#)

⁷⁸ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraphs 72-74

⁷⁹ FIW.co.uk, Farmers Weekly, [Budget 2024: Barnett formula switch risks devolved ag funding](#)

⁸⁰ Senedd.Wales, [Welsh Farming Figures](#)

⁸¹ Gov.uk, [How is the UK agricultural industry structured and how is agricultural land used?](#)

⁸² Written evidence to the Finance Committee, [Welsh Government Draft Budget 2026-27 NFU Cymru response](#)

⁸³ Written evidence to the Finance Committee, [Welsh Government Draft Budget 2026-27 FUW response](#)

"To be honest, we are not very happy with it. Let us not forget where we have come from. All this money in the past came via the EU, and there were very clear rules about how it would be spent. What proportion of that came to Wales was dependent on how many farms you had and what kind of farming they did.

*While the amount has been respected hitherto, this is about what happens in future in relation to the Barnett consequential. If you just do a Barnett consequential, you are talking about 5%, whereas when it comes to agriculture, we should be significantly higher than that."*⁸⁴

86. In the Committee's budget session, the Deputy First Minister clarified that the Barnettisation only relates to additional funding over the baseline:

*"What we've had come over from the UK Government is the baseline, and the baseline isn't Barnettised; that was based on the previous calculations that the previous UK Government made, which took into account some of the money that we'd received already. So, it was lower than we were expecting at the time, but that baseline has come across. Our understanding of what the UK Government has proposed is that any changes to that will be Barnettised, in the sense of, if there is an additional amount going into England, we will get a Barnett consequential of that additional amount."*⁸⁵

87. The Deputy First Minister told Members "Barnettisation has not stopped us investing significantly in all the areas described."⁸⁶ He also told the Committee the Welsh Government is:

*"happy with the Barnettisation of funding by and large; what we're not happy with is with Barnett as it stands overall. So, I'm glad that there are discussions outside of my Cabinet portfolio, wider within Government, with the Cabinet Secretary for Finance and Welsh Language on refining Barnett, how it applies across the regions."*⁸⁷

⁸⁴ Welsh Affairs Select Committee, 12/02/2025, [Question 17](#).

⁸⁵ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 114

⁸⁶ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 111

⁸⁷ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 111

Our view

Whilst we expect this budget will keep the lights on at farms across Wales we are disappointed by the lack of ambition. We are concerned the budget allocation does not allow for the transformative change many had hoped the Sustainable Farming Scheme would usher in.

We have concerns about applying the Barnett Formula to agricultural support. Wales has a strong farming tradition, with over 10% of the UK's agricultural workforce based here, and our per capita agricultural output is higher than the UK average. Therefore, we feel the Barnett Formula does not fairly reflect Wales's needs. The return to a needs/production-based approach would be fairer to our farmers and our other public services who may have to pick up the strain to support our vital food producing industry.

Additionally, we were surprised to hear the Deputy First Minister seemingly contradict the First Minister on this issue. We would appreciate clarification on this issue.

Farming unions have highlighted that static funding allocations for the SFS mean the real terms value of agricultural support has significantly decreased as a result of inflation. They also highlighted that the new scheme asks them to do more, essentially with less. We are concerned this erasure of the value of agricultural support will lead to fewer farmers joining the scheme which in turn will harm the Welsh Government's ability to realise its aims through the SFS. This and the next Welsh Government should consider how it can return value to the agricultural support offer which has been lost to inflation.

Recommendation 19. The Welsh Government must consider all possible mechanisms available to it to ensure the SFS receives the funding needed to deliver its ambition, through supporting farmers. As part of this, the Welsh Government must make its position on Barnettisation of agricultural support clear and should reopen negotiations with the UK around moving back to a needs/production based allocation for agriculture.

Recommendation 20. This and the next Welsh Government should consider how they can return the real terms value of the agricultural support package to pre 2016 levels.

Fisheries

88. The draft budget sees the Fisheries allocation increasing by 2% from £3.61m to £3.68m, and capital by 2%, from £1m to £1.02m. The Cabinet Secretary's paper says the Welsh Government has received an £18m allocation over 12 years (equivalent to £1.5m per year on average) due to the UK Government's Fisheries and Coastal Growth Fund (FCGF) settlement.⁸⁸

89. The Deputy First Minister's paper states "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."⁸⁹

90. The list of Fisheries Management Plans includes 12 which relate to the Welsh Government.⁹⁰ The Welsh Government describe the plans as "key tools to deliver sustainable and well-managed fisheries". Two plans were published in 2023..⁹¹

91. The Deputy First Minister reassured Members "We're well advanced on those [the Fisheries Management Plans], and we have that within the budget already, but if we had more money, maybe we could accelerate the fisheries management plans and the work we're doing on it. It's not necessary, because it's already within the budget, but we could do more."

92. The Deputy First Minister noted that the FCGF funding had "been allocated across the UK over 12 years, so we don't know how much funding is going to be allocated each year." This meant he did not yet have the detail of how that fund would be spent.⁹² He went on to explain how the money might be allocated:

*"we will be ... making those decisions in a very strategic way, based on evidence of where the money would deliver the biggest bang for the buck. That could be investment in fisheries directly, in the fleet, and so on. It could be in other creative ways. Officials at the moment are working to try and understand what the detail of this funding is year by year and how we could use that, and how the fund can be used to provide support to the fishing industry and to coastal communities."*⁹³

⁸⁸ Written evidence, ~~the Deputy First Minister's paper~~

⁸⁹ Written evidence, ~~the Deputy First Minister's paper~~

⁹⁰ Gov.UK ~~List of fisheries management plans~~

⁹¹ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 63

⁹² Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 54

⁹³ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 56

Our View

We are concerned there appears to be a large amount of work to do in developing the remaining Fisheries Management Plans. Whilst we appreciate that the Deputy First Minister believes the plans are all deliverable within the allocated budget the Committee feels this is an area which needs further attention. The Welsh Government should consider if using some of the unallocated funding to speed up work on the backlog would be of benefit to our fisheries and coastal communities.

We will follow the developments around the Fisheries and Coastal Growth Fund closely. This money must be used to reinvigorate our coastal communities and support our fishers. As there remains no fisheries strategy for Wales the Committee is concerned as to how this fund will be strategically managed. The Deputy First Minister should write to the Committee with updates when developing the strategy for allocating funding.

Recommendation 21. The Welsh Government should consider if allocating additional funding to the Fisheries BEL could speed up the development of the outstanding Fisheries Management Plans.

Recommendation 22. The Welsh Government should keep the Committee up to date with developments around the Fisheries and Coastal Growth Fund.

Recommendation 23. Welsh Government should consider how the Fisheries and Coastal Growth Fund could be used to ensure Welsh seafood supply chain benefits remain in Wales for the benefit of coastal communities, including investing in the seafood processing sector.

Bovine TB

93. Farmers are compensated for cattle slaughtered as a result of bovine tuberculosis (bTB) detection. Under the current system, a valuer individually assesses the market value of each animal. The maximum valuation of an animal is £5,000. The TB Slaughter Payments Costs & Receipts BEL has increased by 2% from £14.31m to £14.60m.⁹⁴

94. The Welsh Government regularly over-spends on this BEL and has previously described the current compensation system as “unsustainable in light of the

⁹⁴ Written evidence, [the Deputy First Minister's paper](#)

available budget.”⁹⁵ The Welsh Government have proposed an alternative system with compensation based on average market price which they estimate would save £5.1m annually.⁹⁶ The Deputy First Minister previously said this internal review process will be completed before the end of this Senedd term before moving on to public consultation.⁹⁷ When looking at this issue for a previous inquiry the Committee heard a firm rejection of the proposals from the farming unions while RSPCA Cymru felt they were reasonable.⁹⁸

95. Members were concerned that this overspend was essentially the price of policy failure and that a preventative approach isn't being achieved. The Deputy First Minister highlighted work underway to reduce bTB and how it is funded:

*“we continue to drive forward on the innovations that we are making within Wales, which are leading-edge innovations. So, what we've done in the Pembrokeshire pathway, we continue to fund. And we've extended that now to north Wales in a different scenario, so that we can drive forward. And in a range of areas, we're funding work with the TB advisory board, the TB partnership board, to seek the way that we can achieve the eradication”.*⁹⁹

96. He went on to affirm that this work should in turn reduce the bTB compensation spend.¹⁰⁰

Our view

Members are concerned that, through the bTB BEL, the Welsh Government is paying a significant amount of money on compensation payments. It welcomes the review into how compensation is paid to ensure best value for money, and urges this review to be completed before the end of this Senedd so that evidence is available for the next Welsh Government to continue with this work.

However Members stress that compensation is payment for policy failure. Getting the policy right, and in turn reducing bTB, will reduce the cost of the BEL freeing up resource for other priorities. We welcome new structures

⁹⁵ Welsh Government consultation document - [A Refreshed TB Eradication Programme](#), 2021

⁹⁶ Welsh Government consultation document - [A Refreshed TB Eradication Programme](#), 2021

⁹⁷ Plenary, 13/05/2025, paragraph 383

⁹⁸ Economy, Trade and Rural Affairs Committee - [Refreshing Wales' TB Eradication Program](#), May 2022

⁹⁹ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 196

¹⁰⁰ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 199

including the Technical Advisory Group and Programme Board in supporting an evidence-led and partnership approach to tackling bTB, for a preventative method to budget spending in this area.

Recommendation 24. The review into bTB compensation payments should be completed before the end of this Senedd to inform the next Welsh Government's approach. However, the Welsh Government must take a preventative approach to bTB funding through tackling the disease itself with effective policies. These should be devised based on evidence and advice of the Technical Advisory Group and Programme Board including learning lessons from best practice within and outside Wales.

Horticulture

97. Support for horticulture is spread across multiple BELs. However, the Committee is concerned that, particularly considering the climate emergency and the responsibilities that creates to both reduce food miles and increase food security, not enough work is being undertaken to increase the amount of fruit and vegetables grown in Wales.

98. When pressed on the issue of Welsh Government work to support horticulture, the Deputy First Minister told Members:

*"I realise it's not sufficient for where we need to get to ultimately, but, actually, we're building capacity in that space every day, every month; we're growing this. So, we have farmers now who are producing ... But we can't magic it up, we've actually got to encourage, incentivise, put the right funding in place; Farming Connect support is in this space as well."*¹⁰¹

Our view

From a climate change point of view, support for horticulture is vital to reduce food miles and the associated carbon, and to improve our food security. An improved horticulture sector will also help to grow the economy and support our schools and hospitals to serve pupils and patients local produce. It is very hard from the budget documents provided to work out how much funding is available to support these important aims. The Welsh Government should

¹⁰¹ Economy, Trade, and Rural Affairs Committee 26/11/2025 Paragraph 102

clearly set out in this budget, and the next Welsh Government should in set out in future budgets, the support horticulture will receive from across all allocations.

Recommendation 25. The Welsh Government should clearly set out in this budget, and the next Welsh Government should in set out in future budgets, the support horticulture will receive from across all allocations.