

# Scrutiny of the Welsh Government's Draft Budget 2025-26

February 2025

On 10 December the Welsh Government laid its Draft Budget for 2025-26.<sup>1</sup> 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 15 January 2025.<sup>2</sup> 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 ("the Cabinet Secretary") 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 ("the Deputy First Minister") covering rural affairs. And one examined trade related issues with the Deputy First Minister and the Cabinet Secretary. 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 including skills, rural affairs and trade.

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<sup>1</sup> Gov.Wales [draft budget 2025-26](#)

<sup>2</sup> Economy, Trade and Rural Affairs Committee, 15 January 2025

## Recommendations

**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..... 7

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# 1. The medium-term impacts of the draft budget

2. The Welsh Government press release that accompanied the Draft Budget announced “All government departments will receive increases in revenue and capital funding, marking a significant contrast from previous budgetary constraints.” It included a quote from the Cabinet Secretary for Finance and Welsh Language which said:

*“This is budget for a brighter future, delivering an extra £1.5 billion for our public services and priorities, helping to put Wales firmly back on the path of growth after 14 difficult years. This is in stark contrast to the last couple of years when we have been forced to make some very difficult and painful decisions.”<sup>3</sup>*

3. The Office for Budget Responsibility has forecast UK Government Departmental Expenditure Limit (DEL) spending until 2029-30 in its Economic and Fiscal Outlook October 2024 that was published at the same time as the UK budget. The forecast shows slower growth in UK Government departmental spending from 2026-27 onwards.<sup>4</sup>

4. The Institute for Government's analysis of the UK Government's 2024 budget, said “Overall [revenue] spending will continue to increase beyond 2025/26, but more slowly: by 1.4% per year on average in real terms”.<sup>5</sup> In their response to the UK Budget the Institute for Fiscal Studies gave a starker warning:

*“Meeting that ‘stability rule’ in 2029–30 relies on the assumption that day-to-day public service spending will grow much more slowly from 2026 onwards.”*

*“The first gamble is that a big cash injection for public services over the next two years will be enough to turn performance around, and that many of the temporary spending pressures won't persist. If she's [the Chancellor] wrong about that, and spending pressures don't dissipate after two years, then to avoid cutting unprotected areas she*

<sup>3</sup> Gov.Wales - [A budget to build a brighter future for Wales](#)

<sup>4</sup> [OBR Economic and fiscal outlook - October 2024](#)

<sup>5</sup> Institute for Government - [Austerity postponed? The impact of Labour's first budget on public services](#)

*may well need to come back with another round of tax rises in a couple of years' time – unless she gets lucky on growth”.*<sup>6</sup>

**5.** Members were interested to hear the Welsh Government's views on the viability of increased spend into future budget rounds.

**6.** When asked how confident she was that the Welsh Government budget was sustainable, durable, and would stand the test of time, the Cabinet Secretary for Economy, Energy and Planning highlighted that this was a one year budget and said “we look forward to the Chancellor's announcements early in the spring this year, towards the end of March, when she'll be setting out budgets for future years, and then we'll be able to take that longer term look.” She went on to say:

*“But I certainly think that the budget that we have put forward for scrutiny by the Senedd is absolutely a sustainable one. We've worked very hard to look where the allocations that we are able to make this year will have the most impact. And in doing so, I think that this year has been, probably a breath of fresh air for us as Ministers and our teams as well, in terms of being able to allocate funding towards priorities.”*

*“Colleagues will be very aware of the difficult few years that we have had in relation to the overall budget, where we have had to reprioritise away from parts of the budget, both within portfolios but then across the Government, towards meeting those priorities, in terms of addressing the pressures caused by inflation on health in particular, but also transport. So, it has been a very different flavour to the discussions that we have had around this year's budget, which has been about allocating funding rather than looking to reprioritise.”*

### **Our view**

Whilst the Members are pleased the Deputy First Minister, Cabinet Secretary and Minister all seemed confident and happy with their budget allocations, the Committee is concerned that the allocations must be spent in a sustainable way and that there is sufficient planning for different future funding scenarios. Members are concerned that, if the UK and Welsh Governments' intentions regarding growth are not met, , and the OBR's warning on reduced growth are realised, the Welsh Budget may experience slower increases or even cuts beyond 2026-27. The Committee believes that this potential outcome should

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<sup>6</sup> Institute for Fiscal Studies - [Autumn Budget 2024: initial IFS response](#)

be factored into any budget planning and plans should be sustainable over multiple years.

**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.

## 2. The Economy and Skills

### Young Persons Guarantee

**7.** The Young Person's Guarantee (YPG) is a key commitment of the Programme for Government to provide everyone aged 16-24, living in Wales, with support to gain a place in education or training or help to get into work or self-employment. The YPG is an umbrella structure and covers a number of support packages including, but not limited to: Jobs Growth Wales+; ReAct+; Communities for Work+; Flexible Skills Programme; and Apprenticeships.<sup>7</sup> Funding for the YPG comes from both the Economy Main Expenditure Group (MEG) and Education MEG.<sup>8</sup>

**8.** The evidence provided by the Minister for Culture, Skills and Social Partnerships included the following detail on funding and targets for the YPG support programmes:

- Jobs Growth Wales+ is allocated £32 million in 2025-26. This funding is through contracts for tender and has been awarded to the following

<sup>7</sup> Gov.wales [Young Persons Guarantee](#)

<sup>8</sup> Gov.Wales [draft budget 2025-26](#)

providers: Act Ltd, Coleg Cambria, Grŵp Llandrillo Meani Consortium, ITEC Training Solutions, and Pembrokeshire College.

- Communities for Work+ is allocated £16.834 million in 2025-26. It's aimed at individuals with more complex barriers to employment and is delivered across Wales.
- Flexible Skills Programme (FSP) is allocated £7.531 million in 2025-26. The Welsh Government doesn't have contracts with training providers as employers identify the most appropriate provider once they've received advice from Working Wales.
- ReAct+ is allocated £7.425 million in 2025-26. It provides support for those aged 20+. As with the FSP, the Welsh Government doesn't have contracts with training providers as employers identify the most appropriate provider once they've received advice from Working Wales.

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### 9. The Minister for Skills, Culture and Social Partnerships told Members:

*"the Young Person's Guarantee is a programme for government commitment, Chair, and I think it's one that we're all proud to support in the way that we do. It's a flagship programme, so this is being recognised in other areas across the UK. I look at Greater Manchester; I had the conversation with the mayor of Greater Manchester about our programme and the offer that we provide. So, we'll go on providing funding in this budget for the Young Person's Guarantee."<sup>10</sup>*

### Our view

Members were pleased to hear Jobs Growth Wales+ is becoming a proactive programme to target those most in need of support. Whilst previous schemes have done a good job as they relied on those needing support to seek it out Members have been concerned that people who are unaware of their existence or not engaged would miss out on support. This would mean the previous schemes were missing those furthest away from the job market who arguably are the people who need the support most.

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<sup>9</sup> [Written evidence – Minister for Culture, Skills and Social Partnerships](#)

<sup>10</sup> Economy, Trade, and Rural Affairs Committee 15/01/2025 Paragraph 52



Members are keen to see how this proactive approach is reflected in funding. The Committee would like further detail on how increased funding will be used to ensure the programme is as accessible as possible.

**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.

## Skills, Training and Apprenticeships

**10.** Medr (the Commission for Tertiary Education and Research) is the new arm's length body responsible for funding and regulating tertiary education and research in Wales. This includes: local authority maintained sixth forms, further education, higher education, apprenticeships, adult community learning, and government-funded research and innovation. It became operational on 1 August 2024.<sup>11</sup>

**11.** £143.902 million has been allocated to apprenticeships in the Draft Budget 2025-26. The Minister for Culture, Skills and Social Partnership's paper says that the actual outturn for the apprenticeship programme for 2023-24 was £189.94 million, this included £40.44 million from European Structural Funds (ESF). The forecast outturn for 2024-25 is £140.72 million. The difference between the spends in both years is more than just the loss of the ESF income.<sup>12</sup>

**12.** The Cabinet Secretary's paper says that the "ongoing cost of living crisis continues to put pressure on our apprenticeship provider network which has indicated that delivery costs are increasing in line with inflation". She adds that "continuing pressures linked to the cost of delivering the apprenticeship service will be monitored by Medr with oversight from [the] Welsh Government into 2025-26".<sup>13</sup>

**13.** In December 2024 concerns were raised by the media around the number of apprenticeships being created as part of the city deal for the Swansea Bay City Region. Reports indicate that only 184 roles, from a target of 3,000, had been filled. A member of staff working on the programme was quoted in the press as saying "We're constantly forward-looking in what we're doing. Timing is

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<sup>11</sup> [medr.cymru/who-we-are](https://medr.cymru/who-we-are)

<sup>12</sup> [Written evidence – Minister for Culture, Skills and Social Partnerships](#)

<sup>13</sup> [Written evidence – Cabinet Secretary for Economy, Energy and Planning](#)

everything, and maybe the employer demand is not there yet.". However, the city deal still believes it is able to deliver the 3,000 role target.<sup>14</sup>

**14.** The Minister for Culture, Skills and Social Partnership told Members "I expect the numbers around [apprenticeship] starts and the delivery to be similar to what it was in the previous year, so just last year gone, and we'll wait to see what those figures are when they are published in March. But I expect, roughly, the delivery to remain the same this year as it was last year." He went on to highlight the programme for government commitment for a 100,000 all-age apprenticeship starts and said he was "absolutely committed" to it.<sup>15</sup>

**15.** The Minister highlighted the aerospace work in his constituency as an example of where the Welsh Government had worked with the private sector on skills provision to great success:

*"We have the best aerospace engineers in the world, and that's very much because of the support that the company put in themselves, but also reliant on the support of the Welsh Government through their apprenticeship programmes and through other programmes such as the flexible skills programme, which I think Duncan mentioned earlier. That flexible skills programme in particular, we recognise, is an important part of our future offer, and that's why we've invested significantly more in this budget than we have previously."*<sup>16</sup>

**16.** Regarding green apprenticeships in the green economy the Minister told Members:

*"I've met with ColegauCymru and apprenticeship providers myself. I'll be holding a green skills short-term review to look at all of the things that we offer in skills—flexible skills, the implementation of the net-zero skills action plan. I think one of the discussions that I'll have in that short-term review would be around the offers that we provide now, including apprenticeships, and if we could improve that offer in any way then of course I'd look to strengthen where we can."*<sup>17</sup>

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<sup>14</sup> Walesonline.co.uk - [City deal apprenticeship numbers 'a little bit disappointing' says council leader](#)

<sup>15</sup> Economy, Trade, and Rural Affairs Committee 15/01/2025 Paragraph 74

<sup>16</sup> Economy, Trade, and Rural Affairs Committee 15/01/2025 Paragraph 33

<sup>17</sup> Economy, Trade, and Rural Affairs Committee 15/01/2025 Paragraph 77

## Our View

Members were concerned to hear about the ongoing pressure on the apprenticeship provider network. The Committee believes it is vitally important that there is a strong link between providers, business and learners which will enable people to undertake valuable apprenticeships and gain the routes into high quality jobs that follow.

As part of ensuring our apprenticeship and skills programmes are fit for the future, and fit to support the Welsh Government's decarbonisation aims, it is important that the correct infrastructure investment is made alongside revenue investment.

Whilst Members accept it is hard to entice people to take training for jobs they cannot yet see, the Committee believes training needs to both be aligned for new jobs but also for transferable jobs like fabrication and welding which are important in both hydrocarbon and zero carbon energy production.

Members are pleased the Minister is reviewing this and look forward to seeing the result. The Committee is intending to publish a report on the Green Economy in the near future which will look at this issue in more detail.

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.

**Recommendation 3.** The Minister should share the outcomes of his green skills short-term review as soon as it is completed.

**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.

## Green investment

**17.** Marine Energy Wales state "The development of marine renewables, including tidal energy and floating offshore wind projects, present a once-in-a-

generation opportunity for Wales and ensuring our ports are ready and able to support the sector is vital”.

**18.** Regarding this opportunity the Cabinet Secretary told Members:

*“within the draft budget, the funding that we're providing is more in the space of the publicly owned energy, rather than trying to lever in the private investment, because the way in which we lever in the private investment is more about the policy choices that we make. So, you heard the statement last week in respect of floating offshore wind and the setting up of that task and finish group, which will put in place a plan, essentially, because what we hear from the private sector is very much that they need certainty and they need that confidence to move forward. And the plan is intended to ensure that they have the confidence and the certainty to move forward because the sector leads who are working in the skills space or the ports or with the developers themselves will be able to set out that plan, where everybody knows at what point they need to be doing things and they have confidence that the investment that they make will be leading to successful projects for them. And then, of course, I won't go into it now because of time, but all of the work that we're doing to speed up the planning process and the new Act, which will be in force later this year. So, the policy space is where we make the difference”.*<sup>18</sup>

### Our view

As mentioned above the Committee will soon be publishing its findings on the green economy. However it is important that the Welsh Government ensures it invests in the correct way to unlock investment which will create good quality jobs and grow Wales' economy. It is clear that there is an opportunity for economic growth through investment to ensure Wales has the infrastructure to take advantage of the opportunities.

**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.

### Remote Working

**19.** The Programme for Government sets out a plan to encourage people to spend more time working from, or close to, home. This includes a commitment

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<sup>18</sup> Economy, Trade, and Rural Affairs Committee 15/01/2025 Paragraph 112

to “a 30% target for working remotely” and to “Develop new remote working hubs in communities.”<sup>19</sup>

**20.** The Minister for Culture, Skills and Social Partnerships evidence paper states “Given the difficult choices we have made in this budget, there is no financial headroom within the Social Partnerships BEL to provide a dedicated allocation for this work.”<sup>20</sup>

**21.** However the paper goes on to state “on a practical level, the PfG [Programme for Government] commitments have been delivered. We have established a network of remote working hubs, published remote working guidance and case studies, and we are monitoring the 30% target”.<sup>21</sup>

**22.** The paper highlights “Find your local remote working hub”, a page on the Welsh Government’s website. The page identifies 45 hubs across 16 local authorities which are open to the public and one hub which is only open to public sector workers.<sup>22</sup> The Minister’s paper notes “There is clearly a need for ongoing work in maintaining all of this and in particular, expanding the hubs, continued engagement with partners to influence behaviours, and the sharing of good practice.”<sup>23</sup>

**23.** The Minister for Culture, Skills and Social Partnership expanded on this in the Committee's Draft Budget session, saying

“We'll still deliver [remote working policy] through our social partnership networks and the work that we, perhaps, do with the UK Government and their Employment Rights Bill in this space. So, I won't be dedicating a particular budget to remote working but we'll go on working with the networks that we have to promote fairness.”<sup>24</sup>

## Our View

As the Minister considers the Programme for Government commitments around remote working to have been delivered, the Committee would be interested to understand what impact the work undertaken on these

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<sup>19</sup> Welsh Government – [Programme for Government – Update](#)

<sup>20</sup> [Written evidence – Minister for Culture, Skills and Social Partnerships](#)

<sup>21</sup> [Written evidence – Minister for Culture, Skills and Social Partnerships](#)

<sup>22</sup> Gov. Wales [Find your local remote working hub](#)

<sup>23</sup> [Written evidence – Minister for Culture, Skills and Social Partnerships](#)

<sup>24</sup> Economy, Trade, and Rural Affairs Committee 15/01/2025 Paragraph 60

objectives, and the funding that has been spent on it in previous budgets, has achieved. The Committee believes this would be an appropriate time for the Welsh Government to publish an evaluation document setting out what has been invested by the Government and partners, how the commitments were achieved, the impact this has had and any lessons learnt.

Members are also concerned about how, without specific funding, the work identified by the Minister as necessary to maintain and expand the hubs will be progressed.

**Recommendation 6.** As the Welsh Government considers it has achieved its 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.

## Tourism

**24.** The Tourism Budget Capital Expenditure Line has been increased by £1 million compared to the last budget. The Cabinet Secretary's paper gives some detail on that increase saying "An increase of £1m, providing planned capital investment of £6m in strategic tourism projects, a Brilliant Basics fund for small scale tourism infrastructure improvements, and a weather-proofing fund to respond to concerns raised with us by visitor attractions about the impact of poor weather on their businesses."<sup>25</sup> It should be noted The Brilliant Basics Fund is only open to local authorities and National Parks.<sup>26</sup>

**25.** The cumulative impact of Welsh Government policy on the tourism sector is an issue that has been raised with the Committee. This includes new policies specifically aimed at the sector such as changes to council tax rules which require holiday lets to be occupied for more days and the Visitor Accommodation (Register and Levy) Etc. (Wales) Bill currently making its way through the Senedd. However, it also includes policies such as Waste Separation Requirements (Wales) Regulations which require tourism businesses including

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<sup>25</sup> [Written evidence – Cabinet Secretary for Economy, Energy and Planning](#)

<sup>26</sup> [Welsh Government – Brilliant Basics Fund Guidance Note](#)

accommodation providers to change how they sort their waste and infrastructure investment decisions.<sup>27</sup>

**26.** The Professional Association of Self-Caterers UK, Cymru (PASC) raised these issues in their evidence to the Finance Committee's consultation on the Draft Budget saying:

*"Policy decisions are made in silos with no consideration of other policies affecting the same target audience. The result is a tsunami of policies affecting individual Welsh people, businesses and families with irreparable negative effects."<sup>28</sup>*

**27.** When questioned around the Welsh Government's intention for that £1 million investment the Cabinet Secretary explained "all of that £1 million will provide a capital fund for Welsh tourism businesses to futureproof themselves, and particularly to do so in terms of weatherproofing."<sup>29</sup>

**28.** The Cabinet Secretary explained this decision:

*"We always try and aim to be as flexible as we can in the support that we provide, but, equally, you know, we have to ensure that, when we're providing public money to businesses or organisations, we are expecting something very clear from that money as well. I think it's incumbent on us to do that. And I think that, in terms of the support that we can offer to help businesses become more sustainable, which is the purpose here, trying to address some of those weather challenges, which are likely only to get more challenging in future years."<sup>30</sup>*

**29.** She went on to say "we offer a very wide range of support. So, there is a balance, I think, when we're setting up specific grant schemes in order to respond to specific challenges or Welsh Government desires in terms of more sustainability for the sector, whereas the wider support that we provide through Business Wales, that is very, very open, and that does work with individuals as well. So, it's that balance between that Business Wales very wide support but then specific grants to try and achieve something that is in line with the Welsh

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<sup>27</sup> MWT Cymru – [A reflection on meeting with the Economy, Trade and Rural Affairs Committee](#)

<sup>28</sup> [PASC response to the Finance Committee's consultation on the Draft Budget 2025-26](#)

<sup>29</sup> Economy, Trade, and Rural Affairs Committee 15/01/2025 Paragraph 82

<sup>30</sup> Economy, Trade, and Rural Affairs Committee 15/01/2025 Paragraph 84

Government's aspirations in terms of sustainability, but also listens to the sector.”<sup>31</sup>

**30.** The Cabinet Secretary told Members “the Welsh Government is working very hard on their behalf to bring tourists into Wales, and to ensure that they have a good experience when they’re here”.<sup>32</sup>

### Our view

The Committee is concerned that business confidence in the tourism sector is low. Members have sympathy with providers’ argument that the collective impact of policy on their sector is not being considered due to siloed policy making within Welsh Government.

The Welsh Government must ensure it is financially supporting the tourism sector to adapt to the new regulatory environment. This must include both new direct policy aimed at the sector but also general regulations like the new recycling policy that will impact the sector.

Support for tourism businesses needs to be flexible. This will allow operators to make decisions which will allow them to grow their business which will in turn lead to tourism continuing to play the key role it does in supporting the Welsh economy.

**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.

**Recommendation 8.** The Welsh Government must ensure funding for tourism is flexible enough that it can be used to respond to business needs.

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

**31.** The Welsh and UK Governments are using many different programmes to support people affected by TATA’s decision to close the blast furnaces at Port Talbot steelworks. From a Welsh Government perspective these include ReAct+, Communities for Work+, Personal Learning Accounts, the Wales Union Learning

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<sup>31</sup> Economy, Trade, and Rural Affairs Committee 15/01/2025 Paragraph 86

<sup>32</sup> Economy, Trade, and Rural Affairs Committee 15/01/2025 Paragraph 96



Fund, and support through Business Wales if individuals wish to start a business or become self-employed.<sup>33</sup>

**32.** The majority of redundancies from Tata's UK sites are expected to take place in the first few months of 2025.<sup>34</sup> The Cabinet Secretary's budget paper says that:

*"The planned budget for the ReAct+ programme in 2025-26 is £7.425m and we plan to have sufficient budget to manage any carry over of demand from those impacted by redundancies from Tata Steel UK and the supply chain into 2025-2026."*<sup>35</sup>

**33.** In the Draft Budget evidence session Members asked the Cabinet Secretary and Minister for more information about the support provided to workers. The Cabinet Secretary told Members:

*"So far, I think around 15 Tata employees have been supported through the ReAct+ programme, and 41 people whose jobs have been made redundant from the supply chain have also accessed those ReAct+ grants. I would say, though, that we are still, I think, fairly early on in the process in terms of the impact on employees, so there'll be more that we need to offer in support for future years, which is why we've maintained the budget in this particular space for the next financial year as well."*<sup>36</sup>

**34.** She went on to say:

*"it's definitely the case that the support that we're trying to put in alongside the UK Government is there to try and meet individuals' needs and aspirations. So, I think all of that is particularly positive ... in another month we can provide committee with some further information then in terms of the support that's available to individuals and the numbers coming through, because we would expect that to be increasing as we move into the spring."*<sup>37</sup>

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<sup>33</sup> [Letter from the First Minister to Chair of the Economy, Trade and Rural Affairs Committee dated 28 August 2024](#)

<sup>34</sup> UK Government, [Statement on behalf of the Tata Steel/Port Talbot Transition Board](#), 19 December 2024

<sup>35</sup> Welsh Government, [Draft budget evidence paper – Cabinet Secretary for Economy, Energy and Planning](#)

<sup>36</sup> Economy, Trade, and Rural Affairs Committee 15/01/2025 Paragraph 41

<sup>37</sup> Economy, Trade, and Rural Affairs Committee 15/01/2025 Paragraph 46

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**35.** The Cabinet Secretary's official added that Business Wales has received £2 million of the UK Government funding allocated to the Transition Board, which doesn't appear in the draft budget. This will support supply chain companies and TATA employees who want to start their own business.<sup>38</sup>

### Our View

The Committee believes it is vitally important that these funds being used to support those affected by the closure of Port Talbot blast furnaces are well supported and that there is contingency to ramp up support either via existing programmes or establishing new ones.

The Committee is concerned that the Draft Budget does not make it easy and clear to see exactly what is being spent to support people and communities affected by the blast furnace closure. While there is information on the allocation through ReAct+, there is a lack of clarity on how much support will be provided through the other funding streams. As this is a key government priority Members feel this should be reflected in Budget documentation.

**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.

### Tech Valleys

**36.** The Welsh Government's vision for Tech Valleys says that "The vision for Tech Valleys will see the creation of at least 1,500 sustainable jobs, predominantly within new technologies and advanced manufacturing across the Valleys area, but with Blaenau Gwent at the heart...£100m has been allocated by the Welsh Government over ten years, to enable successful delivery of the vision for Tech Valleys".<sup>39</sup> Tech Valleys has a budget allocation of £5m capital and £1.76m revenue for 2025-26.<sup>40</sup>

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<sup>38</sup> Economy, Trade and Rural Affairs Committee, 15 January 2025, paragraph 47

<sup>39</sup> Gov.wales [Tech Valleys: vision](#)

<sup>40</sup> [Written evidence – Cabinet Secretary for Economy, Energy and Planning](#)

**37.** The Cabinet Secretary's paper notes that the commitment to invest £100 million in Tech Valleys is until 2028. It highlights one of the biggest investments made by the Welsh Government is over £16 million committed to the Thales Ebbw Vale Technology Campus, which "provides world-class, cutting-edge facilities which research solutions into the cyber resilience of critical national infrastructure".

**38.** The Cabinet Secretary told Members:

*"Since the first allocation, I think that the programme has now invested over £40 million, so, we would obviously want to continue investing and supporting jobs and growth in the area. To date, the programme has created 298,000 sq ft of new and refurbished floor space".<sup>41</sup>*

**39.** The Cabinet Secretary went on to say Welsh Government had recently secured a new tenant at the campus and she would write to the Committee with further details on Welsh Government's progress with Tech Valleys.<sup>42</sup>

## Our view

The Tech Valleys programme was launched in 2017 and is due to run until 2028, which means approximately 70% of the project's time frame has elapsed. Whilst Members understand programmes tend to have higher spending toward the end of their lifespan, the Committee is concerned that only approximately 40% of the funding allocated for the Tech Valleys project has been invested, and would like further details on progress towards the aim of creating 1,500 sustainable jobs through the programme. The Committee is concerned this slow rate of investment means the Welsh Government may not be able to invest the full budget allocation in a meaningful way.

**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..

<sup>41</sup> Economy, Trade, and Rural Affairs Committee 15/01/2025 Paragraph 128

<sup>42</sup> Economy, Trade, and Rural Affairs Committee 15/01/2025 Paragraph 128

## 3. Trade

**40.** Trade-related Budget Expenditure Lines (BELs) can be found in two Main Expenditure Groups (MEGs):

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

### EU exit

**41.** The 'EU transition' BEL does not appear in the Draft Budget documents for the first time since the UK's exit from the EU. For the 2024-25 final budget, a £20.737m draft budget allocation was transferred within the MEG (Central Services and Administration) towards staff costs, which totalled £241.228m.

**42.** The Deputy First Minister stated that:

*"The UK's exit from the European Union continues to impact on Wales, resulting in critical new areas of work for the Welsh Government. Some were expected, such as preparing our borders, however, the impact of other changes across the portfolio has still to be determined. The context is still evolving.*

*We need to continue to adapt and respond to these new ways of working for Wales both in terms of our role in the UK and our engagement with the EU and other trading nations. This requires the maintenance of effective inter-government communications. [...]*

*Furthermore, the machinery underpinning the EU TCA [Trade and Cooperation Agreement] is still developing and requires consideration and effort to ensure we continue to engage effectively. This requires an understanding of the evolving trading environment and any potential impacts, not only in terms of the EU TCA but also considering new trade agreements with other nations."<sup>43</sup>*

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<sup>43</sup> Welsh Government, [evidence paper -- Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs](#)

**43.** The Cabinet Secretary noted that the Welsh Government's Trade Policy team now leads on work relating to the TCA, engaging with the UK Government on the negotiation of new Free Trade Agreements, and on the implementation of those agreements in Wales. In her written evidence the Cabinet Secretary confirmed that this would be delivered "by existing staff resource".<sup>44</sup> During a general scrutiny session in November, a Welsh Government official also confirmed that the TCA is being treated "in exactly the same way as any trade agreement."<sup>45</sup>

**44.** The Cabinet Secretary also noted that businesses currently or planning on exporting to the EU are supported by the Welsh Government Export Team.<sup>46</sup>

**45.** The Deputy First Minister acknowledged that EU exit has "shaped the budget in a number of ways". He told us:

*"Brexit for us has a long and continuing tail. We're having to still wrestle through some really difficult areas, but, meanwhile, we've turned the page and we've, successfully I think, argued for funding that can help keep stability going forward in a range of areas."<sup>47</sup>*

**46.** The Deputy First Minister pointed to a number of areas where additional work was needed, including chemical regulations and work with coastal communities, in particular related to fisheries, the work for which he noted was "resource intensive". He explained that the "reset of relationships" between the UK and the EU also takes resource. With reference to the loss of EU funding, he added that he had argued strongly for "the quantum of funding" to give stability to sectors including agriculture, rural development and fisheries.<sup>48</sup>

**47.** The Cabinet Secretary agreed that the challenge is in relation to the funding shortfall following EU exit:

*"We're never going to be able to plug those kinds of gaps, so the quantum really is the challenge. But then, in terms of how we respond, really, it's less about the budget and more about the kind of work that our teams do."<sup>49</sup>*

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<sup>44</sup> Welsh Government, [evidence paper – Cabinet Secretary for Economy, Energy and Planning](#)  
<sup>45</sup> [Economy, Trade and Rural Affairs, Committee, 14 November 2024](#), paragraph 331

<sup>46</sup> Welsh Government, [evidence paper – Cabinet Secretary for Economy, Energy and Planning](#)

<sup>47</sup> Economy, Trade and Rural Affairs, Committee, 15 January 2025, paragraph 145

<sup>48</sup> Economy, Trade and Rural Affairs, Committee, 15 January 2025, paragraphs 142-145

<sup>49</sup> Economy, Trade and Rural Affairs, Committee, 15 January 2025, paragraph 147

### Our view

It's clear from the Ministers' evidence that the UK's exit from the EU continues to have implications for Wales and the Welsh Government's allocation of resources. It is important that funding, while reduced, is considered and utilised to produce the most beneficial outputs for Welsh trade. The Committee notes that the Welsh Government's Trade Policy team has taken on significant additional responsibility without additional resource. This is particularly concerning given the Deputy First Minister's acknowledgment of the amount of resource needed to respond to the "long tail legacy of Brexit" in a number of areas.

While the Members welcome the Ministers' openness on these matters during oral evidence, it is important that the Committee fully understands the implications of the changes described above without increased resource. Given the significance and breadth of the TCA, the Committee would welcome further information on how it will be co-ordinated across Welsh Government departments.

**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.

### Borders policy

**48.** There are two Border Controls BELs in the Climate Change and Rural Affairs MEG: the BEL for resource and a new BEL for capital.

**49.** The BELs support the delivery of the Welsh Government's border control responsibilities. This includes the phased implementation of the UK's post-Brexit import regime, the Border Target Operating Model (BTOM)<sup>50</sup> and funding for Border Control Posts (BCPs)<sup>51</sup> to perform the BTOM's trade controls. Three new BCPs are planned at Holyhead, Pembroke Dock and Fishguard.

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<sup>50</sup> Senedd research, [Wales and the UK's new trade border model](#), October 2024

<sup>51</sup> Senedd research, [Why does Wales need Border Control Posts?](#), March 2023

**50.** In October 2024 the Committee published a report on the BTOM, which highlighted the on-going cost dispute between the UK and Welsh Governments in respect of BCP running costs.<sup>52</sup>

### Potential implications of a UK-EU SPS agreement

**51.** The Committee is one of four Senedd committees participating in a consultation on the TCA's upcoming implementation review. It has closely followed the Welsh Government's priorities for the review, which include a UK-EU agreement on Sanitary and Phytosanitary (SPS) Measures. Depending on its contents, an SPS agreement could reduce, or even eliminate, the need for certain trade controls at the border.

**52.** During general scrutiny in November 2024, a Welsh Government official said:

*"we still need to plan for the eventuality of having border controls, but, one day, hoping that there would be an agreement in place. [...] If the agreement fulfilled our expectations, potentially, in the future, [border controls] might not be required, but there could well be a period in the interim where it would be."<sup>53</sup>*

**53.** SPS controls fall within devolved competence and are the responsibility of the Welsh Ministers but UK-EU trade negotiations are a reserved matter.

### Border Controls resource BEL

**54.** The resource Border Controls BEL allocation is £4.1m. This marks a reduction of 36.5% (£2.356m) compared to the revised baseline for 2025-26 of £6.456m.

**55.** For both the 2024-25 draft and final budgets, the allocation was £6.426m.

**56.** A £30,000 baseline adjustment has been made for 2025-26, resulting in the revised baseline of £6.456m. A £2.713m inter-MEC transfer has been made out of the BEL, followed by a £357,000 transfer in to the BEL from reserves (contributed

<sup>52</sup> Economy, Trade and Rural Affairs Committee, [Border Target Operating Model: A view from Wales](#), October 2024

<sup>53</sup> Economy, Trade and Rural Affairs, Committee, 14 November 2024, paragraph 317-319

by the UK Government). This leaves £4.1m for the 2025-26 Draft Budget allocation.

**57.** This BEL has returned to the Rural Affairs MEG, having been moved to the Economy MEG for the 2024-25 budget.

**58.** The Deputy First Minister told us that the reduction was a reflection of needs, as opposed to representing a cut:

*"It is to reflect what we need for the year ahead in 2025-26. So, our assessment for the year ahead is that that will meet those essential costs."<sup>54</sup>*

**59.** A Welsh Government official added that the budget allocation was the Welsh Government's "best estimate now":

*"knowing that the date at which we would go live with physical checks keeps getting put back, and there are some items of expenditure that we just won't need until we are closer to the time, for example. So, it's a function, if you like, of the shifting programme plan and the point at which we expect expenditure to fall as much as what the total cost will actually be in due course, and, as the Deputy First Minister mentions, the conversations about who's actually going to pay for it between us and the UK Government."*

**60.** The Deputy First Minister noted that the Windsor Framework "didn't resolve the ongoing problems". He said:

*"I'm really conscious of the fact that the last thing we want to do is undermine where we've got to in the Windsor Framework, undermine sensitivities about trade in Northern Ireland and with Éire and so on and so forth. [...] it's good that the UK Government recognises our challenges as well as the Northern Ireland context, because our challenges remain, as they always have been, the issue of security of goods coming in and out."<sup>55</sup>*

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<sup>54</sup> Economy, Trade and Rural Affairs, Committee, 15 January 2025, paragraph 162

<sup>55</sup> Economy, Trade and Rural Affairs, Committee, 15 January 2025, paragraph 170



## Border Controls capital BEL

**61.** A new capital Border Controls BEL has an allocation of £28.955m, transferred from reserves. The Deputy First Minister confirmed this is a UK Government contribution:

*"The budget includes an HMT contribution for just the [BCP] build costs of £28,955k capital and £357k revenue."<sup>56</sup>*

**62.** This is the largest planned spend to date on Wales' BCP readiness.

## BEL title anomaly

**63.** There have been variations in the title of the Strategic Evidence, Monitoring & Intergovernmental Relations BEL. It previously included 'Borders' in its title but no longer does so. However, the Deputy First Minister's written evidence continues to use the BEL title where 'Borders' were included.

## Our view

The Border Controls resource BEL has seen a significant reduction in the Draft Budget. The Committee notes the Deputy First Minister's explanation that the amount should be seen as a reflection of need. However, the Committee is not convinced that the Deputy First Minister's response fully addresses the impact of inflation, including increased costs such as staff and utilities on the budget.

It is disappointing that the cost dispute between the UK and Welsh Governments with respect to funding BCP running costs is yet to be resolved. The Committee would urge both governments to work together to reach a solution as soon as possible.

The Committee also notes the anomaly in the title of the Strategic Evidence, Monitoring and Intergovernmental Relations BEL in the Deputy First Minister's written evidence. The Welsh Government should clarify whether the BEL's title is correct and 'Borders' has been removed. If so, it should set out any practical implications, if any, of its removal.

<sup>56</sup> Welsh Government, [evidence paper – Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs](#)

**Recommendation 13.** The Welsh and UK Governments should work together to reach a solution in relation to funding the BCP running costs as soon as possible.

**Recommendation 14.** The Welsh Government should clarify whether the BEL's title is correct and 'Borders' has been removed. If so, it should set out any practical implications, if any, of its removal.

## Export, Trade and Inward Investment

**64.** There is one BEL in the Economy, Energy and Planning MEG for Export, Trade and Inward Investment. The Cabinet Secretary explains that the BEL:

*"enables funding for the delivery of the Export Action Plan for Wales, to drive long term growth in Welsh exports; and activity to support the promotion of Wales as a location for inward investment."<sup>57</sup>*

**65.** The Welsh Government's Export Action Plan is one of five action plans accompanying its International Strategy (2020-25). Together, the strategy and plans contain over 270 general and specific targets and actions. Those in the Export Action Plan range from increasing the contribution of exports to the Welsh economy, providing a telephone helpline service, and delivering an annual exporter conference.

**66.** The Export, Trade and Inward Investment BEL allocation is £3.752m (revenue). This is the same amount as both the draft and final budgets for 2024-25. The amount is not subject to baseline adjustments for 2025-26.

**67.** Between the 2023-24 draft and final budgets, this BEL was subject to a 10.5% reduction (revised down by £440,000 from an original £4.192m allocation as part of the Welsh Government's reprioritisation exercise).

**68.** The breakdown within the BEL remains unchanged. The BEL is made up of:

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

**69.** The Cabinet Secretary explained that:

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<sup>57</sup> Welsh Government, [evidence paper – Cabinet Secretary for Economy, Energy and Planning](#)

*"The £3.572m funding allocated to deliver the Plan ensures we have a range of export programmes delivered by our Welsh Government Export Team to support businesses on their export journey, from - inspiring businesses to export; building export capability; finding overseas customers; and accessing overseas markets. [...]"*

*The latest provisional export statistics show the value of goods exports for Wales was £18.6bn in the year ending June 2024, down £1.8 bn (9.0%) compared to the year ending June 2023. This demonstrates the importance of providing comprehensive support to Welsh businesses to develop to drive further growth in Welsh exports.*

*The First Minister has agreed that the International Strategy's lifespan will be extended beyond 2025, up to the end of this Senedd term. She will be setting out her delivery priorities for the remainder of the Strategy's term, including the extended time period, early next year."<sup>58</sup>*

**70.** The Cabinet Secretary confirmed that the previous year's cut in budget for the Export Action Plan did have an impact on some of the things the Welsh Government was able to do:

*"...it has had an impact on what we've been able to deliver, but it's also meant that we've looked to refocus and prioritise the actions that we take around the things that we know are most important to businesses [...] we have listened, really, to see what's most effective for businesses and what's most helpful to them"<sup>59</sup>*

**71.** In particular, the Cabinet Secretary noted that the Welsh Government was only able to undertake a refresh of their existing export exemplars programme, as opposed to the creation of a new cohort of exemplars and that there has also been a reduction in the number of events in Wales that would have focused on export development as well.<sup>60</sup>

<sup>58</sup> Welsh Government, [evidence paper – Cabinet Secretary for Economy, Energy and Planning](#)

<sup>59</sup> Economy, Trade and Rural Affairs, Committee, 15 January 2025, paragraph 181

<sup>60</sup> Economy, Trade and Rural Affairs, Committee, 15 January 2025, paragraph 180

**72.** The Cabinet Secretary advised that the Welsh Government has commissioned an external evaluation of its Export Action Plan, which will be published in summer 2025.

**73.** A Welsh Government official noted that early findings from the evaluation would feed into the First Minister's consideration of delivery priorities for the International Strategy, which is expected in early 2025:

*"the analysis of the export action plan and delivery being undertaken by an external company is actually looking at those very aspects, the four steps that we talk about in the export journey: what's effective for a business and what's not, what should we do more of and what should we do less of. To reassure, we're having regular conversations with the researchers to understand their early findings so that we can feed that into the delivery plan for the First Minister."<sup>61</sup>*

### Examples of outputs

**74.** The Cabinet Secretary listed outputs from the Welsh Government's Export Team (between April 2021 – November 2024), including:

- 4,303 one-to-one meetings between the Welsh Government's specialist International Trade Advisers and businesses in Wales;
- £309m of export sales secured as a direct result of Welsh Government export support;
- 63 overseas trade missions delivered, supporting 540 delegates;
- 327 export programme projects delivered, covering the International Trade Development and International Trade Opportunities export market research programmes; and
- 437 Overseas Business Development Visit grants provided to SMEs in Wales to visit and explore international markets and trade shows.<sup>62</sup>

**75.** The Deputy First Minister explained that an additional £0.5m has been allocated through the food and drink budgets for investment in the Blas Cymru/Taste Wales brokerage to promote exports and inward investment. He

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<sup>61</sup> Economy, Trade and Rural Affairs, Committee, 15 January 2025, paragraph 193

<sup>62</sup> Welsh Government, [evidence paper – Cabinet Secretary for Economy, Energy and Planning](#)

confirmed the next brokerage will take place in October 2025 at the International Convention Centre Wales, with increased targets. He listed outputs from the 2023 brokerage as follows:

- Wales welcomed 276 trade buyers, including international buyers from 11 countries, and 122 Welsh food and drink businesses including 15 Rising Stars.
- Some 2,100 scheduled trade meetings between trade buyers and Welsh food and drink businesses took place, generating around £38 million in secured and potential sales. Some 203 new products were developed for retail and foodservice.<sup>63</sup>

### Temporary closure of Holyhead Port

**76.** In December 2024 Holyhead Port was forced to close temporarily as a result of damage following Storm Darragh. During its closure, trade was diverted to other UK ports. The Port partially reopened on 16 January 2025. We asked the Cabinet Secretary whether any economic analysis had been carried out of the impact on Welsh trade. A Welsh Government official said:

*“A lot of what passes through Holyhead flies down the A55 without really slowing down; it's not actually coming to Wales in the first place, most of it's passing straight through. So, we know, obviously, that people have diverted other ways, so there will be additional costs, additional fuel and that sort of thing, but we haven't been able to quantify that in respect of Wales specifically. I'm not sure that you ever would be able to do that in a way that specifically identifies those extra costs in a meaningful and reliable way.”<sup>64</sup>*

### Our view

The Committee notes the Cabinet Secretary's position on the Export Action Plan, and welcomes efforts made to engage stakeholders to make informed decisions prior to reducing or ceasing activity in light of budget cuts. The Committee agrees with the Cabinet Secretary on the importance of providing comprehensive support to Welsh businesses to develop and drive further growth in Welsh exports. However, the Committee is conscious that the Welsh

<sup>63</sup> Welsh Government, [evidence paper – Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs](#)

<sup>64</sup> Economy, Trade and Rural Affairs, Committee, 15 January 2025, paragraph 156

Government and the Committee are operating in a fast-changing geopolitical arena. The recent outbreak of foot and mouth in Germany, and a change in US leadership are just two examples of why there is a need for the Welsh Government to take an agile approach to supporting Welsh traders.

Members particularly welcome the Cabinet Secretary's commitment during oral evidence to provide us with a written update confirming which actions and targets in the Export Action Plan have been delivered, and which remain outstanding within this Senedd term.

**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.

### **Holyhead Port**

The Committee notes that work is being undertaken to assess the impact of the closure of Holyhead Port. While Members acknowledge the challenges of gathering such data, it is vital that any impacts are fully understood, and the Welsh Government should set out what plans it has to mitigate those impacts, including whether it is considering any changes in approach to the Draft Budget as a result.

The Committee will continue to monitor the situation at Holyhead and its implications as part of its ongoing work.

**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.

## 4. Rural Affairs

### Sustainable Farming Scheme

**77.** The Sustainable Farming Scheme (SFS) is an issue that this Committee has paid great attention to since its work on the Agriculture (Wales) Act 2023 and will be revisiting with the Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs on 5 February 2025.

**78.** The budget allocation for the SFS, anticipated to launch in January 2026, is yet to be announced. In December the Deputy First Minister told the Committee he'd had "productive discussions" with the Cabinet Secretary for Finance and Welsh Language on budget coming forward for the SFS because the scheme "deals with not only the sustainability of the farming sector ... but it's also the nature and climate emergencies".<sup>65</sup>

**79.** In their response to the Finance Committee's consultation on the Draft Budget, both NFU Cymru and Farmers' Union of Wales (FUW) called for a significant uplift in agricultural support from the current budget, highlighting inflationary pressures. NFU Cymru has run historic CAP figures through the Bank of England's inflation calculator concluding there should be an uplifted annual agricultural budget of "just over £500m for Wales".<sup>66</sup> FUW has carried out a similar exercise but uses different figures – concluding this figure "should now be worth at least £450 million".<sup>67</sup> The RSPB, National Trust and Wildlife Trusts commissioned an independent economic assessment as part of their Scale of Need report, that concluded Wales would require £594m annually to meet environmental land management priorities alone.<sup>68</sup>

**80.** In the Committee's budget session, the Deputy First Minister acknowledged that a multi annual settlement for farming support was needed for stability. He told Members:

**81.** "I think the UK counterparts are very seized with this as well, that we give that stability, not just in the farming, agricultural sector, but in wider sectors that we can plan on a multi-annual basis. This is consistently the discussion that I've had with farmers at the ministerial round-table with the SFS, but also wider

<sup>65</sup> Economy, Trade, and Rural Affairs Committee 5 December 2024, paragraph 398

<sup>66</sup> [NFU Cymru's response to the Finance Committee's consultation on the Draft Budget 2025-26](#)

<sup>67</sup> [FUW's response to the Finance Committee's consultation on the Draft Budget 2025-26](#)

<sup>68</sup> RSPB, National Trust and The Wildlife Trusts: [For farming, nature and climate](#).

out—as I've spoken to farmers—is the need to move to that. So, that's our intention. We're in a year in order to get there.”<sup>69</sup>

### Our view

The Committee has repeatedly questioned the Cabinet Secretary on budget negotiations for the Sustainable Farming Scheme to ensure appropriate funding is made available to fulfil the Government's ambitions for the scheme. The Committee believes that the scheme must be appropriately funded, if this is not the case Members are concerned farmers will not engage and the Welsh Government will not achieve its aims.

**Recommendation 17.** The Sustainable Farming Scheme budget should be increased from the current agricultural support allocation to reflect inflation and also the benefits the scheme will bring including actions to tackle the nature and climate emergencies. As part of this the Deputy First Minister should explore calculations made by the farming unions around agricultural inflation and the Scale of Need Report when determining the Sustainable Farming Scheme budget.

**Recommendation 18.** The Deputy First Minister should make representations to the UK Government on the need for multi-annual budget setting.

### Bovine TB

**82.** 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 Welsh Government has overspent on the bovine TB compensation budget since 2015-2016 and has described the current system as unsustainable.<sup>70</sup>

**83.** The Bovine TB Delivery Plan sets out an intention for the Welsh Government to engage with industry to change the compensation regime. Alternative compensation systems have been proposed by the Welsh Government based on a tabular valuation system where an average market price is used to calculate compensation. The Welsh Government said it could save £5.1m annually by switching to a table payment scheme.<sup>71</sup>

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<sup>69</sup> Economy, Trade, and Rural Affairs Committee 15 January 2025, paragraph 243

<sup>70</sup> Gov.wales [Refreshed TB Eradication Programme 2021](#)

<sup>71</sup> Gov.wales [Refreshed TB Eradication Programme consultation](#)



**84.** Last year during budget scrutiny the previous Rural Affairs Minister told this Committee she hoped the review of payments would start in 2024<sup>72</sup> and her written evidence estimated it would take up to 24 months to complete.<sup>73</sup>

**85.** Farming unions reject the proposal to move to a tabular valuation system arguing the only fair way to value cattle is on the basis of their individual merits.<sup>74</sup> RSPCA Cymru has said the tabular proposals are reasonable.<sup>75</sup>

**86.** In the 2025-26 Draft Budget, bovine TB compensation allocation ('TB Slaughter Payments Costs & Receipts' BEL) is £14.32m, an increase of £502k from the Revised Baseline. There is also an increase of £1m for TB eradication and £2m for the Animal and Plant Health Agency (APHA). APHA implements statutory requirements and policy relating to the TB Eradication Programme as well as other animal and human health controls. The Cabinet Secretary's paper says:

*"TB related budgets are invest to save budgets. Failure to invest in eradication of TB will incur a corresponding increase in compensation costs as a result of infected animals. I have been able to invest an additional £1m in 25-26 which helps ease pressures reported through this current financial year."*<sup>76</sup>

**87.** In the Committee's session with the Deputy First Minister he made a commitment to starting the review this year:

*"We have allocated initial staff resource in preparation for a full review of the existing TB compensation policy, in line with those commitments that we set out within the eradication delivery plan. So, it will be commencing this year. I can give you that commitment."*<sup>77</sup>

## Our view

Members are disappointed the review of Bovine TB payments is yet to start, particularly considering Welsh Government identified the current position as unsustainable several years ago. The Committee is concerned that, due to its

<sup>72</sup> Economy, Trade, and Rural Affairs Committee 18/01/2024 Paragraph 160

<sup>73</sup> [Welsh Government Draft Budget 2024-25 Ministers' Written Evidence to Senedd scrutiny committees](#)

<sup>74</sup> [nfu-cymru.org.uk NFU.Cymru.rejects.move.to.tabular.valuations.in.its.bovine.tb.consultation.response](http://nfu-cymru.org.uk/NFU.Cymru.rejects.move.to.tabular.valuations.in.its.bovine.tb.consultation.response)

<sup>75</sup> [Written evidence to Economy, Trade and Rural Affairs Bovine TB Inquiry 2022](#)

<sup>76</sup> [Written evidence – Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs](#)

<sup>77</sup> Economy, Trade, and Rural Affairs Committee 15/01/2025 Paragraph 283

late start, the payment review could span over the life of this Senedd and thus fall to a future Welsh Government of uncertain make up to implement.

The Committee believes these delays and the possibility of either the review being implemented by a future Welsh Government, or that Government deciding to hold another review, creates an unfair amount of uncertainty for farmers. Farmers need certainty to be able to plan and Members believe the Welsh Government should prioritise its review to help provide this.

**Recommendation 19.** The Welsh Government should prioritise its review of Bovine TB Compensation with the aim of it being completed by the end of the Senedd.

### Abattoirs

**88.** According to evidence provided to this Committee by the Farmer's Union of Wales (FUW) as part of an inquiry into the Legislative Consent Memorandum on the Animal Welfare (Livestock Exports) Bill "Over the past three decades around 90% of slaughterhouses have been lost in Wales". In this paper the FUW suggested that, to improve animal welfare, efforts should be made to shorten the distance animals are transported to slaughter whereas the loss of local abattoirs had increased the distances stock is transported.<sup>78</sup>

**89.** In 2023 the UK Government announced a £4 million Smaller Abattoir Fund with the aim of boosting "the sustainability and efficiency of red meat and poultry smaller abattoirs across England."<sup>79</sup> The FUW have suggested Welsh Government should replicate this funding in Wales.<sup>80</sup>

**90.** The Deputy First Minister agreed with the FUW that closures of local abattoirs was "a tragedy for those communities, because what we do want is that local network as well of processing, rather than animals travelling massive distances back and forth. So, there are things that we can do, and that we do, but we have to work with the commercial sector as well, small and grand, to say to them, 'Work with us on this. We need that local infrastructure, from livestock rearing through to slaughter, through to processing'."<sup>81</sup>

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<sup>78</sup> [Written evidence to the Economy, Trade and Rural Affairs Committee Animal Welfare Bill LCM Inquiry.](#)

<sup>79</sup> [Gov.uk Applications open for new £4 million fund to support smaller abattoirs](#)

<sup>80</sup> [Written evidence to the Economy, Trade and Rural Affairs Committee Animal Welfare Bill LCM Inquiry.](#)

<sup>81</sup> Economy, Trade, and Rural Affairs Committee 15/01/2025 Paragraph 302

**91.** However he said that there wasn't any money for abattoirs "at the moment specifically within the budget, but we do always keep these under review, if there's additional funding needed within particular sectors."<sup>82</sup>

### **Our view**

Members share the FUW's concerns regarding abattoir closures. Members believe ensuring animals can be slaughtered closer to the farm is important for animal welfare and can help support the local economy by providing jobs, retaining more of the 'value added' element of meat production within Wales and supporting efforts of citizens to 'buy local'. Members also believe that small abattoirs can be more responsive to the local market and produce more niche products. The Committee believes the Welsh Government should consider introducing support for small Welsh abattoirs similar to the UK Government fund in England.

**Recommendation 20.** The Welsh Government should consider how it can support small Welsh abattoirs through the 2025-26 Budget.

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<sup>82</sup> Economy, Trade, and Rural Affairs Committee 15/01/2025 Paragraph 304