

Scrutiny of the Welsh Government's draft budget 2024/25

February 2024

On 19 December the Welsh Government laid its draft budget for 2024-25.¹ 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 session on 18 January 2024.² The Committee held two scrutiny sessions, one with the Minister for Rural Affairs and North Wales, and Trefnydd and one with the Minister for Economy. Both Ministers were accompanied by supporting officials. This report also draws on written evidence provided to the Committee by both The Minister for Rural Affairs and North Wales, and Trefnydd,³ and the Minister for Economy⁴ ahead of their respective sessions. This report is set out in two chapters, the first on issues related to the Minister for Rural Affairs and North Wales, and Trefnydd's remit and the second on the Minister for Economy's remit.

¹ [Draft Budget 2024 to 2025 | GOV.WALES](#)

² [Economy, Trade and Rural Affairs Committee 18 January 2024 - Welsh Parliament \(senedd.wales\)](#)

³ [Evidence paper - Welsh Government.pdf \(senedd.wales\)](#)

⁴ [Business, Enterprise, Technology and Science \(senedd.wales\)](#)



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- Recommendation 30.** The Welsh Government should clarify to the Committee what proportion of the £6.4 million of reserves it expected to receive from the UK Government. It should also confirm whether this amount has changed following intergovernmental discussions as a result of the UK Government's decision not to fund aspects of Border Control Posts, as described by the Minister.34
- Recommendation 31.** The Welsh Government should write to the Committee to confirm if there are any planned costs in 2024-25 relating to the implementation of post-Brexit international trade agreements, including implementation, trade missions and Ministerial overseas travel.35

1. Reprioritisation of Welsh Government funding

2. In October 2023 the Welsh Government announced in year changes to the 2023-24 Welsh Budget in order to create a “package of financial changes which protect Wales’ public services, NHS and transport”. At the time the Welsh Government stated that “Every ministerial portfolio was asked to make a contribution to meet the extraordinary financial pressures. Ministers have re-prioritised spending and activities as much as possible, rather than cutting programmes as a whole.”⁵

3. As a result of this reprofiling the Economy Main Expenditure Group (MEG) was reduced by £65 million and the Rural Affairs MEG was reduced by £39.5 million.⁶ The Finance Minister told Plenary that these measures were necessary due to “the triple impact of inflation, the impact of more than a decade of austerity on public services, and the ongoing consequences of Brexit. These, combined with the UK Government’s economic mismanagement, including the disastrous mini-budget, have combined to place the devolved Welsh budget under unprecedented pressure.”⁷

4. The Welsh Government has continued this approach for the 2024-25 draft budget. In her introduction to the Welsh Government’s Draft Budget the Minister for Finance and Local Government said “This was always going to be a very difficult budget round – the most difficult of this Spending Review period. This is the final year in the three-year Spending Review period; a final year in which there was less funding available to meet all our statutory commitments, let alone our priorities and ambitious Programme for Government. But following the UK Autumn Statement, our budget is now worth £1.3 billion less in real terms than when it was set in 2021.” She went on to say:

“We have reshaped our budgets in line with a set of guiding principles – to protect core, frontline public services as far as possible; to deliver the greatest benefit to households which are hardest hit; to prioritise jobs, wherever possible and to work in

⁵ [Welsh Government announcement](#)

⁶ [Update on 2023-2024 financial position: summary of main changes | GOV.WALES](#)

⁷ Paragraph 123, Plenary, 17 October 2023

partnership with other public sector bodies to face this financial storm together.”⁸

5. The Minister for Rural Affairs, North Wales, and Trefnydd told Members that “this has been one of the most challenging budgets—well, probably the most challenging—I've ever had to face as a Minister and for us as a Government. I think the UK Government have failed to provide us with the funding that we need to do what we need to do, let alone what we would like to do. So, it's been incredibly difficult.”⁹

6. The Economy Minister shared these sentiments when discussing his budget with the Committee. He told Members “This budget hasn't come about in a lackadaisical manner, where people haven't thought through and agonised over the choices. There have been any number of meetings and really difficult discussions between Ministers, between departments, and within the department.” He explained “that's because the choices are getting more and more difficult and more and more unpleasant.”¹⁰

7. As a result of this reprofiling, the resource budget for the Economy has been reduced by £4 million (0.8%) and the Rural Affairs budget has been reduced by £29 million (6.4%).¹¹ These figures are in cash terms and do not take account of inflation.

The impact of the Welsh Government's reprioritisation and the consequent reduction in the Rural Affairs and Economy budgets are explored in detail in the relevant sections of this report. However, Members are concerned about the cumulative impact of all the budget reductions and the potential of both farmers and businesses suffering ‘death by 1,000 cuts’. For example, a farmer who exports meat and sells to local hospitality businesses may be impacted by the reduction in agricultural support, the reduction in business support, the reduction in export support for their international sales and the reduction in support for hospitality for their domestic sales.

Members acknowledge that this has been a very difficult budget round for the Welsh Government and that there were no easy choices for Ministers. However as a result of this potential compound impact of reduced support, the Welsh

⁸ [Welsh Government Draft Budget Narrative](#)

⁹ Paragraph 12, Economy, Trade, and Rural Affairs Committee, 18 January 2024

¹⁰ Paragraph 295, Economy, Trade, and Rural Affairs Committee, 18 January 2024

¹¹ [Welsh Government Draft Budget 2024-25 \(senedd.wales\)](#)

Government must be very mindful about monitoring the net impact of its actions and ensuring there is a joined-up approach across departments.

Recommendation 1. The Welsh Government should share any analysis it has undertaken on the net impact of reduced budgets on business, farmers and the wider rural community with the Economy, Trade and Rural Affairs Committee.

Recommendation 2. As a result of reduced budgets it is even more vital than ever that the Welsh Government fully monitors the impact of all of its spending to ensure best value for money. An overview of this monitoring should be included in the next budget briefing that Ministers produce for the Economy, Trade and Rural Affairs Committee.

2. The Minister for Rural Affairs and North Wales, and Trefnydd

Ongoing agricultural support and the Sustainable Farming Scheme

The Basic Payment Scheme

8. This is the final year before introduction of the Sustainable Farming Scheme and with it, the phasing out of the Basic Payment Scheme. The Welsh Government's budget narrative states that changes in the Rural Affairs portfolio "are focused on the support available to prepare farmers and the supply chain for SFS".¹²

9. The Welsh Government has maintained the BPS resource allocation level in the 2024-25 draft budget at £238 million.¹³ However, this allocation has not changed for the past 4 years - since EU exit.

10. The Minister told the Committee that investment in farming, as a public good, was important and she had retained this funding for stability for farmers. She said:

"it's really important that people understand that, whilst they perhaps wouldn't see farming as a public service, it absolutely is, because they produce the food we eat, the beautiful landscapes that we all appreciate, the environmental outcomes that we get for that public money, is part of the money that a Government, and, in this case, the Welsh Government, invests on behalf of that taxpayer."

"... there were lots of policy reasons why I did that, but that transition to the sustainable farming scheme was one of the main ones. And I also think it provided a level of stability for our farmers in very uncertain times."¹⁴

¹² [Draft Budget 2024 to 2025 narrative \(gov.wales\)](#)

¹³ [Written Statement: Publication of Basic Payment Scheme \(BPS\) financial budget ceiling for 2024 and BPS 2023 balance payments \(19 December 2023\) | GOV.WALES](#)

¹⁴ Paragraph 30 Economy, Trade and Rural Affairs Committee, 18 January 2024

11. Although NFU Cymru welcomed the maintenance of the BPS¹⁵ they raised concerns about the real terms cut it represents after inflation, telling the Finance Committee:

*"The bank of England Inflation calculator shows the BPS budget would need to increase by £79 million to £317 just to keep pace with the inflation which we have seen over the last decade or so, or expressed another way, the budget is worth over 30% less in real terms that in was when it was set in 2013."*¹⁶

12. The Minister acknowledged the impact on farmers:

*"...clearly, the agricultural sector, like all sectors of the economy, has been impacted with inflation. You will have heard farmers say the 'three Fs', feed, fuel and fertiliser—the costs of those three things. And because of consequences and because of events outside of our control, you're constantly having to deal, it feels like, with a series of crises."*¹⁷

13. The Minister explained that the future of Welsh agriculture funding is dependent on UK Government decisions. She told the Committee:

*"What will have an effect on the sustainable farming scheme funding is the budget, and, of course, at the moment, we don't know what our budget is going to be for 2025. So, I go back to my answer to Alun: that the UK Government could decide to fund agriculture in a very different way than they have done during this comprehensive spending review. They could say, 'We're not funding you at all', and zero of zero is zero of zero. Will that happen? Unlikely, but we don't know. As I say, if they gave it to us in a Barnett consequential, that would be less. So, that's what will affect the scheme, but I don't think the budget this year will at all."*¹⁸

¹⁵ [NFU Cymru welcomes Welsh Government BPS budget commitment - NFU Cymru \(nfu-cymru.org.uk\)](https://www.nfu-cymru.org.uk)

¹⁶ [WGDB_24-25.10.NFU.Cymru.pdf \(senedd.wales\)](#)

¹⁷ Paragraph 19 Economy, Trade and Rural Affairs Committee, 18 January 2024

¹⁸ Paragraph 78 Economy, Trade and Rural Affairs Committee, 18 January 2024.

The Committee welcomes the maintenance of the Basic Payment Scheme, however Members share NFU Cymru's concerns that as the funding issued has not been updated to take account of inflation, it now represents a bare minimum of what is needed. Members welcome the Minister's acknowledgment of the increased costs of the three Fs (fuel, feed and fertiliser). Members are also concerned that despite an increased share of capital over revenue funding, the impact of inflation on the construction industry has significantly increased farmers' costs for investing in infrastructure.

The Welsh Government must ensure that the Sustainable Farming Scheme (SFS) is adequately funded to offer the correct level of support for farmers and related businesses, and achieves the sustainable land management objectives.

Members shared the concerns the Minister highlighted about the uncertainty around future agriculture funding post EU Exit. The Committee believes the Welsh Government must make robust representations to the UK Government as soon as possible regarding the funding that will be necessary to assure the outcomes required from implementing the SFS.

Recommendation 3. The Welsh Government must make representations to the UK Government as soon as possible, and remain in regular discussion with the UK Government, to ensure the Sustainable Farming Scheme is funded by the amount Welsh Government estimate it will need to meet its ambitions for the Scheme.”

Rural investment schemes

14. The Rural Development Programme (RDP) finished at the end of 2023. The Welsh Government have introduced rural investment schemes to support the transition between the RDP and SFS. In a statement the Minister said the schemes would “support the resilience of the rural economy and our natural environment”.¹⁹

15. In that statement setting out plans for the schemes, the Minister said they will be delivered through a “flexible framework” that looks to complement “the development of the Sustainable Farming Scheme, which will reward farmers and land managers for the work they do to meet the challenges of the climate and nature emergencies alongside the sustainable production of food.”

¹⁹ [Written Statement: Funding to support the rural economy and the transition to the Sustainable Farming Scheme \(1 April 2022\) | GOV.WALES](#)

16. According to the Minister's paper the rural investment schemes have had a significant reduction in resource in the 2024-25 draft budget. The 2024-25 Indicative Budget allocated £109.5 million resource to the rural investment schemes while the draft budget allocates £46.1 million. This is a £63.3 million reduction (-58%) in resource. The rural investment schemes have however seen an increase in capital, from £30 million in the 2024-25 Indicative Budget to £53 million in the draft budget (a £23 million or 77% increase). Overall this means there has been a total reduction of £40.4 million or just under 30% in the combined budget lines.

17. The Minister explained that the reductions in her budget "had to come from somewhere" and went on to tell the Committee that "there's still £100 million in the rural investment schemes, which I think will certainly help a great deal."²⁰

18. As seen in the numbers above, the Minister has decided to reprofile a significant amount of the allocation for the rural investment schemes from revenue spending to capital. When asked about this the Minister told Members she had made this decision because "some of the schemes definitely need capital, and some of the stakeholders were telling us that that needs to be the way forward."²¹

The Committee believes the rural investment schemes are important for transition to the Sustainable Farming Scheme and to achieving the sustainable land management objectives. Therefore the reduced budget allocation for these schemes must be monitored and adjusted as necessary to allow a seamless transition as possible to the Sustainable Farming Scheme.

Members welcome the Minister's decision to reprofile the funding allocated to the rural investment schemes from revenue to capital and her engagement with stakeholders on this point.

Members acknowledge that the Minister has been asked to make reductions in her budget and understand the reductions must come from somewhere. However Members feel this means that it is more important than ever to ensure money spent is having the greatest impact it can.

²⁰ Paragraph 49 Economy, Trade and Rural Affairs Committee, 18 January 2024

²¹ Paragraph 53 Economy, Trade and Rural Affairs Committee, 18 January 2024

Recommendation 4. The Welsh Government must monitor spending on the Rural Investment Schemes and the results they are producing to ensure the best possible outcomes are achieved with the limited funding available.

Resource for Rural Payments Wales ICT

19. The Minister's evidence paper on the draft budget indicates that Single Payment Scheme Administration allocation has been reduced by £5.5 million, or 66%.

20. The Minister told Members that allocation is for the delivery of current and future schemes. Therefore development of ICT systems that will support the SFS would come from this budget allocation. She explained that the reduction meant there would be some cut backs in the features offered by those systems. For example the Minister had hoped there would be a full sharing data system between RPW, Farming Connect and livestock databases, however she believes that might have to be "pushed back a bit".²²

21. The Minister told the Committee the new lower funding level "will allow the system to be maintained, have that ongoing maintenance, and be developed to introduce the SFS, and that will have to obviously be done in parallel with reducing the BPS in that transition period from 2025 to 2029. It's not an area that keeps me awake at night."²³

The Committee is concerned by a reduction in the budget for development and maintenance of systems that are integral to maintaining efficient delivery of the rural support schemes. A successful rollout of the SFS will need to be backed by high quality, robust ICT systems. It will be vital that the department monitors the management of current systems and development of the new systems to ensure they are both fit for purpose in light of the new budget allocation.

Recommendation 5. The Welsh Government must closely monitor the maintenance and development of computer systems funded by the Single Payment Scheme Administration budget line, to ensure the reduced allocation does not adversely impact the delivery of current or future rural support schemes.

²² Paragraph 85 Economy, Trade and Rural Affairs Committee, 18 January 2024

²³ Paragraph 84 Economy, Trade and Rural Affairs Committee, 18 January 2024

Reduction in customer engagement

22. The Draft Budget's "Agriculture Customer Engagement" budget line has a £50,000 reduction from the Indicative Budget. This line is described as "the key mechanism for communicating and engaging with farming customers and the wider industry on Welsh Government administered schemes, policies and initiatives".

23. The "Agricultural Strategy" budget line has also been reduced by £150,000. In her evidence the Minister said this budget line will fund the analysis of the consultation and continued engagement with stakeholders and the farming community to facilitate the behavioural shifts needed to adapt farming practices on a national scale. She also said that the "The budget allocation of £500k will be sufficient in 2024-25 to fund the ongoing policy development of the Sustainable Farming Scheme."²⁴

24. When asked if these reductions would have a negative impact on the quality of support the Minister told the Committee "No, I don't think so. I think you find other ways to communicate. So, for instance, now, we e-mail all farmers who are in receipt of BPS. It's much easier to do that, and you have the templates, if you like, so you're able to communicate quicker and easier because of technology", and also said that the Welsh Government would look to reduce the cost of attendance at key events.²⁵

The Committee is concerned about the reduction in budgets which support stakeholder engagement. Members feel that strong, well-managed engagement will be vital for the successful rollout of the Sustainable Farming Scheme.

Recommendation 6. The Welsh Government must monitor the impact of the reduction in customer engagement budgets on their ability to engage with farmers. They must also monitor the impact on farmers' ability to engage with Government and general understanding of the anticipated Sustainable Farming Scheme. If a negative impact is seen, the Welsh Government must consider increasing those budgets to enable a smooth transition to the new Scheme.

²⁴ Written evidence

²⁵ Paragraph 100 Economy, Trade and Rural Affairs Committee, 18 January 2024

Habitat Wales Scheme

Development of the Habitat Wales Scheme

25. The new Habitat Wales Scheme (HWS)²⁶ has been developed to “provide an alternative offer of support to all eligible farmers, including Glastir Advanced, Commons and Organic farmers when their contracts end on 31 December 2023.” In the HWS outline, the Welsh Government states it has three key aims:

- Protect habitat land previously under management in 2023 up to the full introduction of the SFS in 2025;
- Introduce additional habitat land, not currently under paid management, into sustainable land management prior to the start of SFS; and
- Maintain environmental support for common land.

26. The total value of the Glastir contracts accepted by farmers and land managers in 2023 was £33 million.²⁷ In the Minister’s paper it is not clear from the budget lines how much has been allocated to the replacement HWS.

27. Last November the Chair wrote to the Minister to outline concerns about the HWS that the Committee had received from stakeholders.²⁸ One of their major concerns was that, based on payment rates published²⁹ in September, the new offer under HWS would be significantly lower than what was paid under Glastir, and as a result agri-environmental efforts would be undone.

28. The Committee discussed the HWS with the Minister when she appeared at its meeting on 13 December. In that session when asked about economic modelling the Minister told Members “we didn't really do modelling, because we just had to design a scheme very quickly. So, there wasn't really any modelling. I knew it would not be anywhere near the amount of funding that we had for Glastir; there was no way there was going to be that much funding. And, obviously, I'll be announcing, after the draft budget is laid next week, what the funding is.”³⁰

²⁶ [Habitat Wales Scheme: outline \[HTML\] | GOV.WALES](#)

²⁷ [Welsh Government response to written question](#)

²⁸ [Letter from the Chair to the Minister for Rural Affairs and North Wales and Trefnydd - 10 November .pdf \(senedd.wales\)](#)

²⁹ [Habitat Wales Scheme: outline \[HTML\] | GOV.WALES](#)

³⁰ Paragraph 17, Economy, Trade and Rural Affairs Committee, 13 December 2023.

29. However neither the Draft Budget nor the Minister's paper identifies the allocation for HWS. When asked about this in Committee the Minister explained:

"I can't announce that yet. At the moment, we are working with people who've applied for the scheme. What I have said is everyone who has applied for the Habitat Wales scheme will be offered a contract. It's obviously up to them whether they accept that contract or not. So, that is being worked through at the moment. I would imagine it will be the end of February before I can announce what the budget is."³¹

The Committee is disappointed that there is no further information on the funding allocation, or operation of the Habitat Wales Scheme available in the Draft Budget for 2024-25 and associated papers. Whilst Members understand the HWS is being developed quickly, the Committee would have expected more concrete information to have been published on how the scheme will work and the budget available.

It is clear the transition to the Habitat Wales Scheme is causing a certain amount of concern among stakeholders. The Minister has stated she is not able to give out exact details until they have worked through all the applications. The Committee believes the Welsh Government should publish information on the total allocation, and any working assumptions on how the system will be managed or funds issued, as soon as possible.

Members also note that the Minister stated every applicant would be offered a contract. Members are interested to know what will happen to the funds allocated to contracts which are not taken up or not fulfilled. The Welsh Government should set out a plan for any underspend created in this way, and how it can be used to achieve outcomes in line with the scheme's objectives.

Recommendation 7. The Welsh Government should publish the full allocation for the Habitat Wales Scheme as soon as possible. As part of this publication the Welsh Government should set out how much the Habitat Wales Schemes allocation will differ from funding available under Glastir for agri-environment schemes.

Recommendation 8. The Welsh Government should publish further details on how the Habitat Wales Scheme will operate as soon as possible. This should

³¹ Paragraph 61, Economy, Trade and Rural Affairs Committee, 18 January 2024

include any economic modelling undertaken and further details on expected impact.

Recommendation 9. The Welsh Government should set out a plan for monitoring the impact of the Habitat Wales Scheme.

Recommendation 10. The Welsh Government should set out a plan to monitor any underspend due to non-uptake or non-delivery of Habitat Wales Scheme contracts and what it might do with any funding to ensure it is fully used to achieve the objectives of the scheme.

Interim support for organic farmers

30. Following the concern raised by stakeholders to both the Minister and Committee that the HWS would not sufficiently support organic farmers, the Minister made a commitment to bring forward some “dedicated support”. She told Members she was hoping to announce the exact amount of funding in January, however cautioned that “it won't be a significant pot of money”.³²

31. On 17 January the Minister announced the Organic Support Payment for 2024.³³ As part of this announcement the Welsh Government set out eligibility³⁴ and payment rates.³⁵ The Minister told the Committee the scheme would have £2 million of funding.

The Committee welcomes the additional specific support being offered to organic farmers. Whilst Members understand that this fund is being developed quickly, they would like more information on how it compares to the previous provision organic farmers received under Glastir (including the level of funding).

Recommendation 11. The Welsh Government should set out further details of the new Organic scheme, including a comparison between support for organic farmers offered under the new and previous schemes.

³² Paragraph 105, Economy, Trade and Rural Affairs Committee, 13 December 2023

³³ [Written Statement: Announcement of Organic Support Payment 2024 \(17 January 2024\)](#) | GOV.WALES

³⁴ [Organic Support 2024: summary \[HTML\]](#) | GOV.WALES

³⁵ [Organic Support 2024: summary \[HTML\]](#) | GOV.WALES

Food and Drink

32. According to the Minister's evidence paper the funding allocated to "Promoting Welsh Food and Industry Development" has seen a reduction of £2.3 million, i.e. a reduction of 32%. The 2024-25 budget will be £4.8 million.

33. The Minister explained this reduction saying "unfortunately, they [food and drink projects] have had a significant cut, because I had to take my cuts from somewhere". She went on to say "Lots of things will be paused, I think, and hopefully, if we get more funding, we'll be able to pick up."³⁶

34. One of the Minister's officials also highlighted that the Promoting Welsh Food and Industry Development is not the only budget line that supports food businesses. He told Members "some of the more popular schemes are actually funded out of the rural investment scheme line. So, things like the food business accelerator scheme and the sustainable innovation scheme".

Members are concerned about the possible impact of the cut to the Promoting Welsh Food and Industry Development in the Draft Budget 2024-25, as this has been supporting many small businesses. Members would like some more clarity around the impact of this reduction, specifically which programmes the Minister anticipates being paused and the impact that will have.

Recommendation 12. The Welsh Government should set out which programmes are likely to be paused as a result of the reduction to the "Promoting Welsh Food and Industry Development" budget line and the impact those pauses will have.

³⁶ Paragraph 191, Economy, Trade and Rural Affairs Committee, 18 January 2024.

3. Minister for Economy

Priorities

35. On 28 November, the Welsh Government published its Economic mission: priorities for a stronger economy³⁷. This sets out four priority areas:

- A just transition and green prosperity;
- A platform for young people, fair work, skills and success;
- Stronger partnerships for stronger regions and our everyday economy; and
- Investing for growth.

36. During his session with the Committee the Minister elaborated on the meaning of the stronger partnerships priority. He explained “we're looking at both working with regions and different groups of people. So, in thinking about that, we're still trying to protect some of the work that we are doing with our economic regions. If you think about the potential of a well-understood proposal”³⁸

37. He went on to say he had to think about how much he would keep within the business and regions budget to ensure he could support projects that would deliver jobs where they are needed. He told Members “I'm also then thinking through relationships and how that works as well. So, there's a piece of work that isn't about the budget, but is about how we use money effectively. And that is about how we understand where that region, led by local authorities, doesn't need us and where the Government needs to be a partner, and where the Government needs to make the decision as well.”³⁹

The Committee found this explanation of the ‘stronger partnerships for stronger regions and our everyday economy’ priority very useful. Members would appreciate a similar analysis of each of the other three priorities to understand, in the context of the budget position at that time, how they have shaped budget allocations.

³⁷ <https://www.gov.wales/priorities-stronger-economy.html>

³⁸ Paragraph 249 Economy, Trade and Rural Affairs Committee, 18 January 2024

³⁹ Paragraph 250 Economy, Trade and Rural Affairs Committee, 18 January 2024

Recommendation 13. The Welsh Government should set out how each of the four priorities in the economic mission have shaped budget allocations, either in the overarching budget narrative or in the Minister's paper provided ahead of budget scrutiny in the future.

Support for workers facing redundancy

38. The Minister's evidence paper explained that Communities for Work+ and ReAct+ are the "Welsh Government's key responses to large scale redundancies."⁴⁰ It also explained "Employability and Skills programmes including Communities for Work+, Jobs Growth Wales+ and React+ and their predecessor programmes have been significant beneficiaries of ESF funding under the 2014-20 round of programmes with £181m ESF approved in total for these activities. With ESF ending in 23-24 and without replacement funding this presents a significant challenge for employability and skills support from 24-25 onwards."⁴¹

39. The Strategic Integrated Impact Assessment accompanying the Draft Budget states (paragraph 124) "We are reprioritising £19m from funding for employability and skills budgets which enable delivery of key employability and skills activities, including Communities for Work + (CfW+), Jobs Growth Wales+ (JGW+) and ReAct+."⁴²

40. In Committee the Minister told Members "For ReAct+, the budget has been reduced. We have found, fortunately, in the last couple of years, that the ReAct+ budget has not been fully utilised, because it is demand led. My worry is that if we do have a really significant set of job losses then I'll need to repurpose other parts of the budget to make sure the ReAct+ offer is there. It always depends on what happens in that workplace."⁴³ He also said:

"ReAct+ is very much on my mind given that it is possible that large job losses could happen in the nearer to medium term. So, it's always a concern, but what I then have to do as a Minister is, if I find a great deal more demand in one area than another, in an area where I don't think it would be acceptable to say, 'We're full, and you've missed the bus', I then have to look

⁴⁰ Written evidence

⁴¹ Written evidence – ESF is European Social Fund

⁴² [Draft Budget 2024 to 2025 narrative \(gov.wales\)](#)

⁴³ Paragraph 312 Economy, Trade and Rural Affairs Committee, 18 January 2024.

within my department, to start off with, or I need to ask central finance if there's any extra flexibility."

41. Although he went on to say there was very little flexibility available given the financial position Welsh Government is in.⁴⁴

42. In the time between receiving the Minister's evidence and the publication of this report Tata announced it will consult on changes to its steel operation in South Wales that potentially could lead to large scale redundancies⁴⁵. It is anticipated these redundancies will be followed by further job losses in businesses who previously supplied Tata Steel or rely on steelworks staff for their trade. Although Tata Steel is the most high profile announcement there have been many other smaller business closures since the start of the new year, particularly in the retail and hospitality sectors.⁴⁶

The Committee is extremely concerned about the impact of Tata Steel's announcement and the potential redundancies on the workers, their families and the wider community. Members are also concerned about the recent spate of small and medium sized business closures and the potential job losses stemming from them.

Employability programmes will be vital to support people laid off from Tata Steel and those who are losing their jobs from smaller business closures. It is important the Welsh Government steps in to offer support in order to help people back into work when they have been laid off.

Recommendation 14. Given the recent announcement of potential job losses at Tata Steel and the concern around recent closures of small and medium-sized businesses, the Welsh Government should provide certainty for workers who are facing redundancy that they will be able to access its support programmes. It should confirm its intention to reprioritise funding within the Economy Main Expenditure Group so that ReAct+ has sufficient funds. It should also confirm how much funding will be required to do this once a final decision has been made in relation to the future of Tata Steel. The Welsh Government should also review which parts of the Economy budget could be reprioritised to support an increased allocation.

⁴⁴ Paragraph 314 Economy, Trade and Rural Affairs Committee, 18 January 2024.

⁴⁵ [Tata steel next steps towards green steelmaking in the UK announcement](#)

⁴⁶ <https://www.bbc.co.uk/news/uk-wales-67961150>

Business Support

43. In the 2024-25 Draft Budget, the allocation to Business Wales is £20.926 million. This represents a decrease of over £5.5 million (over 20%) compared to the budget for 2023-24. The Minister's evidence paper explained this reduction saying "No access to the SPF [Shared Prosperity Fund] and our block grant from the UK Government contracting in real terms has meant we have had to make tough decisions around our budget priorities to deliver Apprenticeships, Employability and Business Wales schemes which have previously benefited from EU funding support."⁴⁷

44. When asked about the impact of this reduction the Minister told Members that "with less money, we can do fewer things. So, the service [Business Wales] has looked again at efficiencies, about what it can do. So, there will be more support available in a digital format—some businesses want that—and to then think about how the personal in-person support is provided as well. It does mean that there will be fewer pilot programmes and outreach into different areas because we've got to think about what works and what businesses are saying they need."⁴⁸ He went on to say Business Wales will have the same objectives but the reduction in funding will affect how much they can do.

45. The Minister highlighted evidence from Cardiff Business School that found "businesses that have Business Wales support actually are more successful than average when it comes to their business growth and viability after two years".⁴⁹ The Federation of Small Business's evidence to the Finance Committee also highlighted the important role Business Wales provides in "supporting women and minority groups in business".⁵⁰

Business Wales provides an important tool to support business and economic growth in Wales. As such it is vital in supporting entrepreneurs, and creating and maintaining jobs. In the session with the Committee the Minister offered to write to Members outlining the real world impact of the funding cut to Business Wales. Members would like to understand the impact of the reduction in funding on Business Wales outputs. They would be interested to know which areas of work will be changed, scaled back, paused or stopped and the

⁴⁷ Written evidence

⁴⁸ Paragraph 322 Economy, Trade and Rural Affairs Committee, 18 January 2024

⁴⁹ Paragraph 318 Economy, Trade and Rural Affairs Committee, 18 January 2024

⁵⁰ [WGDB_24-25_45.Federation.of.Small.Businesses.FSB.pdf \(senedd.wales\)](#)

anticipated impact of that. So the Committee would like to take the Minister up on that offer.

Recommendation 15. The Minister should write to the Committee setting out exactly what areas of Business Wales work will be scaled back, paused or stopped as a result of the reduction in funding, and the anticipated impact of those reductions in service.

Supporting the retail, leisure and hospitality sectors

46. The Draft Budget makes some alterations to the current support for business in the retail, leisure and hospitality sectors in 2024-2025. Business rates relief (non-domestic rate relief) for eligible businesses in these sectors will be reduced from 75% in 2023-24 to 40% in 2024-25. However, a £20 million capital fund will be established to help small businesses in these sectors future-proof themselves.⁵¹

47. UK Hospitality Cymru have called for the Welsh Government to retain the 75% rate of business rates relief. UK Hospitality Cymru have compared what businesses in Wales will be paying compared to counterparts in England, where the 75% rate of relief has been maintained. Their estimates say:

“a typical local pub will see their bills rise by £6,500 more than pubs in England. The same goes for our iconic coastal hotels – they’ll be paying more than £20,000 than their English counterparts.”⁵²

48. The Federation of Small Businesses also called for a reversal of the cut to business rates support. They said:

“Constrained customer spending caused by the cost-of-living crisis along with massive and sometimes intolerable energy costs and other inflationary pressures continue to squeeze Welsh high street businesses which were already reeling from the legacy of the Covid pandemic. Given this backdrop therefore, it remains baffling why Welsh Government has made the decision in their draft budget to slash vital business rate relief support when businesses are so weakened”.⁵³

⁵¹ [Welsh Government Draft Budget 2024-25 narrative](#)

⁵² [UK Hospitality Cymru Calls for increased business rates reform and relief](#)

⁵³ [FSB Wales calls for business rates rethink](#)

49. The Minister for Finance and Local Government told the Finance Committee:

“For the retail, hospitality and leisure sector, we’ve decided to set that rate at 40 per cent for next year, so essentially tapering down from what was only ever intended to be a short-term relief in any case, but also putting in place a £20 million capital fund so that businesses will be able to look to that fund to provide support for becoming more sustainable in future. Now, we’re still working up the details of that fund, but it might be, for example, around decarbonisation or that kind of work. So, as I say, on that fund, the detail is still being set, but it will be there at £20 million.”⁵⁴

50. In Plenary, when asked if she could reverse the reduction in business rates relief, the Minister for Finance and Local Government said “I’m afraid it’s just not possible for us to review the decision in relation to business rate support for next year. We’ll still be providing around a third of £1 billion of rate relief to businesses across Wales. And the reality is that the autumn statement provided very little additional funding to meet the pressures that we’re facing, and the Welsh Government did in the end decide that we had to prioritise our front-line core public services.”⁵⁵

51. When asked about the £20 million capital grant fund the Minister for Economy told Committee it would be a “matter of weeks not months” before he provided the detail on funding and that Welsh Government was “working through with a range of business stakeholders the design of the fund” and looking at how they can maximise impact with stakeholders. He explained that during COVID the capital funding the Welsh Government provided had “allowed businesses to do capital work because they hadn’t had the time to do it, and hadn’t thought about doing it, in terms of running their business, but actually that then improved the business that they then had to run.” The Minister also highlighted that most work the capital funding was spent on would also be carried out by local firms, so this money would support both the business receiving it and other local firms in their area.⁵⁶

The Committee is concerned about the impact of the reduction in business rates support on small businesses across Wales while they are facing so many

⁵⁴ Paragraph 98, Finance Committee, 20 December 2023

⁵⁵ Paragraph 10, Plenary, 24 January 2024

⁵⁶ Paragraph 347, Economy Trade and Rural Affairs Committee, 18 January 2024

other challenges. Members acknowledge the Welsh Government has had to make tough decisions around how to allocate funding. The Committee believes it is vital that the effect of the reduction is closely monitored, and action is taken if it is having a more severe impact than anticipated.

Members are keen to hear more information about the £20 million capital funding that will be offered to help small businesses. Members are pleased this is being offered and that stakeholders are being involved in its development. The Committee notes that business rates relief is a very straightforward method of delivering support, as it is universal and automatically applied to a business's bill. The Committee has concerns about how businesses will be informed about the new capital funding offer and about any potential bureaucratic burden placed on small businesses by the application process.

Recommendation 16. The Welsh Government should share its analysis of the impact of the reduction in business rates relief for retail, leisure and hospitality businesses with the Committee. This should include the number of businesses affected, and how much relief they will be losing.

Recommendation 17. The Welsh Government should clarify how many businesses it anticipates will be supported by the £20 million capital grant, and how it will ensure that businesses most affected by the loss of business rates relief will benefit from the capital grants.

Recommendation 18. The Welsh Government must closely monitor the impact of the reduction in business rates relief and if it is having a more severe impact than expected it should act promptly to remedy this.

Foundational Economy

52. The Welsh Government's Programme for Government contains a commitment to "Build on our approach to the Foundational Economy and develop a Backing Local Firms Fund to support local businesses."⁵⁷ However the Draft Budget substantially reduces the main budget line aimed at supporting the Foundational Economy.

53. The Minister's paper notes "As part of our contribution to support the wider Welsh Government reprioritisation exercise, we are reducing our bespoke funding towards the Foundational Economy (FE) programme from £3m to £1.163m in

⁵⁷ [Welsh Government Programme for government: update \[HTML\] | GOV.WALES](#)

2024-25. The removal relates to the BLFF [Backing Local Firms Fund] element of the FE programme. We will mitigate the reduction by working with Business Wales to ensure they are focussing on priority sectors and learning previous lessons from the programme.”⁵⁸

54. When asked about this reduction the Minister told Committee “we've been trying to get away from that budget line being the only area of activity. Because I think that's the problem, otherwise, it just gets siloed, I think, and all the foundational economy takes place with that one budget line, rather than what happens in broader activity.”⁵⁹ He also said embedding and supporting the Foundational Economy across Government was important:

“It's still about how we cannot just say it's embedded but continue to demonstrate how we're supporting the foundational economy through a range of different areas of Government activity, including those public services like TFW and our health service as well.”⁶⁰

55. The Minister went on to talk about the wide range of activities the Welsh Government undertake that support the Foundational Economy: “So, we do have more work that we are doing with different parts of the Government to look at how they're using their own resources to add up to a larger whole for this. And what I'd like to be able to do is to continue to come back to present to the Senedd, 'Here's what we're doing and here's how the foundational economy is being supported', and to be able to set out, 'This is what we think we're doing to grow and protect it'. But, like I say, you'll see that across a range of areas.” He summed this up saying “I'm keen that we tell a story that is honest but is more coherent in what we really are doing to support the foundational economy through lots of different arms of the Government.”⁶¹

This Committee and its predecessor committee have held a strong interest in the Foundational Economy. Members have heard a great deal of compelling evidence about how supporting the Foundational Economy can support sustainable, good quality economic growth, and how public sector investment in Foundational Economy sectors can create and protect Welsh jobs. As a result of this, and as the Welsh Government has Programme for Government

⁵⁸ Written evidence

⁵⁹ Paragraph 335 Economy, Trade and Rural Affairs Committee, 18 January 2024

⁶⁰ Paragraph 337 Economy, Trade and Rural Affairs Committee, 18 January 2024

⁶¹ Paragraph 342 Economy, Trade and Rural Affairs Committee, 18 January 2024

Commitments relating to the Foundational Economy, Members are very keen to be able to scrutinise the Welsh Government's actions in this area effectively.

Members are concerned that the reduction in the budget may lead to reduced support for the Foundational Economy, although we do not have figures for spending across other Ministerial portfolios, making it very difficult to come to informed conclusions. To allay these concerns Members would like to be able to see the full cross-government picture of the support on offer.

Recommendation 19. The Welsh Government should provide clarity on what financial support it is providing to the Foundational Economy across different ministerial portfolios in 2024-25, and how this compares to 2023-24.

Recommendation 20. To aid scrutiny of the Welsh Government's support for the Foundational Economy and provide clarity on the work in this area being undertaken across government, the Welsh Government should publish an updated Foundational Economy Delivery Plan similar to the one produced towards the end of the last Senedd. The Welsh Government should update the Committee on progress with supporting the foundational economy on an annual basis.

The Development Bank of Wales Green Business Loan Scheme

56. The Development Bank of Wales' (DBW) Green Business Loan Scheme was launched in February 2023 as a 3-year pilot, with an initial allocation of £10 million. Last March DBW officials told the Committee they expected to support around 170 businesses through the scheme over the next three years. In the same month the Minister told the Committee "we can take a judgment on whether this [the scheme] is something that we'd want to see expanded in the course of the pilot or at the end of the three years".⁶²

57. On 28 November Minister for Economy stated in Plenary that the scheme "has actually been oversubscribed" and a Welsh Government Decision Report shows that the Minister "approved additional budget for 2023 to 2024 to support high demand" for the scheme in November. No detail has been given on the amount of additional budget issued and there is no reference to it in the Minister's Draft Budget evidence paper, although it does note "the £10m pilot is

⁶² Paragraph 241, Economy, Trade and Rural Affairs Committee, 16 March 2023

proving popular with businesses, with £6m of loans expected to be issued in this financial year".⁶³

The Committee is very interested in progress with the Development Bank of Wales Green Business Loan Scheme. Members would like to hear further details on the additional funding issued and its impact.

Recommendation 21. The Welsh Government should provide further information on the take-up of the Development Bank of Wales Green Business Loan Scheme. As part of this they should provide:

- information about how the level of demand for support has been factored into the budget allocations;
- clarify whether the size of the Scheme has increased from the initial £10 million; and
- set out how many businesses are being supported and are expected to be supported in future by the scheme.

Cuts to the Apprenticeship budget

58. The Draft Budget for 2024-25 shows a £5.25 million reduction in the Apprenticeship budget line with total funding for the year at £138.648 million.⁶⁴ The Minister's evidence paper explains that "the net decrease relates to a 3.65% budget cut to the apprenticeship programme and a 24% cut to the contract value". It adds that this is part of "the Economy MEG's [Main Expenditure Group] contribution to the wider Welsh Government reprioritisation exercise".⁶⁵

59. The Welsh Government's Draft Budget narrative paper states "To live within our funding settlement and to accommodate the loss of EU funding, we have had to review our ability to deliver on our apprenticeship target. We have reviewed what we can achieve and have adjusted our funding accordingly." It goes on to say "As a result of reprioritising £5m of funding, we are now expected to achieve 110,000 apprenticeship starts."⁶⁶ This would be a reduction of 15,000 starts against the Programme for Government⁶⁷ commitment.

⁶³ Written evidence

⁶⁴ [Draft Budget 2024 to 2025 | GOV.WALES](#)

⁶⁵ Written evidence

⁶⁶ [Draft Budget 2024 to 2025 narrative \(gov.wales\)](#)

⁶⁷ [Welsh Government - Programme for Government - Update](#)

60. Further education colleges across Wales are extremely concerned about the reduction in the apprenticeship budget. ColegauCymru submitted evidence to the Committee that states the “Welsh Government decision to reverse a commitment to provide transition funding from the loss of EU funds, coupled with an in-year budget cut of £17.5m in October will result in circa 24.2% reduction in the apprenticeship contract value from August next year.”⁶⁸ Their analysis states that “the impact of these proposed cuts will result in circa 10,000 fewer apprenticeship starts, approx. 50% reduction on the Welsh Government’s flagship apprenticeship programme in 2024/25.”

61. ColegauCymru also raised concerns that this funding reduction would disproportionately impact new apprenticeship starters as providers would need to prioritise people already studying. As a result, it says these cuts will disproportionately fall on young people (aged 16-24). This is because just under half of all apprenticeship starts in 2021-22 were aged 16-24.

62. Overall they are concerned that “with the anticipated cuts, it is likely that the number of apprenticeships during this Senedd term 2021-2026, will be fewer than the last Senedd term 2016-2021, despite numerous pledges to increase apprenticeship opportunities.”⁶⁹ ColegauCymru go on to state that this reduction in apprenticeships will also negatively impact the Welsh economy as people will miss out on improving their skills, the Health and Social Care sector will suffer due to less apprentices in that sector, and the push to net zero will be impacted as apprenticeships in the green economy may be reduced.

63. The Minister told the Committee that he recognised why providers were unhappy. He explained:

“This, again, is one of those choices where no-one around this table would want to make that choice, and yet we've got to balance the budget. So, it's about how we do that and how we provide enough protection of our delivery system to make sure we don't just deliver more starts in the next year, but that we're then able, if we do see more—as I'm hopeful we will do—to have a better budget position so that we can then actually continue to grow the number of starts.”⁷⁰

⁶⁸ ColegauCymru Draft Budget - Apprenticeship briefing.pdf (senedd.wales).

⁶⁹ ColegauCymru Draft Budget - Apprenticeship briefing.pdf (senedd.wales).

⁷⁰ Paragraph 278 Economy, Trade and Rural Affairs Committee, 18 January 2024

64. The Minister explained that he also wanted to protect higher skill apprenticeships, saying “I could have chosen to do something that meant that we would reduce the number of higher-end qualifications in the apprenticeship programme and we could have delivered more starts. Politically, that would probably give me an easier time of it”. However, he had “protected the balance of quality in the programmes that we deliver” and that this was the “right answer for the economy”.⁷¹

65. The Minister also told the Committee that despite the reduction in starts there would be more apprenticeship starts this Senedd term (2021-2026) than there were last (2016-2021). He told Members “So, that'll be a 10 per cent increase on what we achieved in the last Senedd term, but not the 25 per cent increase we wanted to”.⁷²

The Committee is very concerned about the impact of the reduction in the apprenticeship budget line. Whilst Members note the Minister is working with a very constrained budget they are concerned about the impact on young people. Although the Committee acknowledges the Minister has redirected resources in a way that will somewhat mitigate the impact on what Members are worried about in terms of potential harm to the Welsh economy caused by reducing Welsh citizens ability to upskill themselves. As a result, the Committee is very keen to see further analyses of the impact of the reduced apprenticeship budget.

Members note that there is a confusion surrounding the number of apprenticeship starts the Minister expects to achieve in this Senedd. The Committee would like the Government to clarify the target and how they are planning to meet it.

Recommendation 22. The Welsh Government should write to the Committee outlining its analysis of the impact of the cuts to the Apprenticeship budget in the Draft Budget 2024-25.

Recommendation 23. The Welsh Government should write to the Committee setting out how many apprenticeship starts the apprenticeship target is for this Senedd term and how the Government plans to meet it.

⁷¹ Paragraph 280 Economy, Trade and Rural Affairs Committee, 18 January 2024

⁷² Paragraph 275, Economy, Trade and Rural Affairs Committee, 18 January 2024

Trade

Cuts to the Export, Trade and Inward Investment budget line

66. The 2024-25 Export, Trade and Inward Investment budget line allocation is £3.752 million. This is revised down by £440,000 from an original £4.192 million allocation. The £3.752 million is made up of:

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

67. This marks a 10.5% reduction compared with the 2023-24 final budget allocation for this budget line, which was £4.192 million. The Minister explained that the £440,000 reduction was part of the wider Welsh Government reprioritisation exercise.⁷³

68. The Export Action Plan is one of five action plans that accompany the Welsh Government's International Strategy (2021-2025).⁷⁴ The Minister explained that the £3.572m allocation ensures businesses can access "a range of" export support.⁷⁵ No further commentary is provided, including on key elements of the Export Action Plan.

69. The Minister stated that £0.18 million will "support our efforts to promote Wales as a destination for inward investment, a key commitment in the International Strategy and the Economic Mission".⁷⁶ He explained that activity is focused in two areas: opportunity-led investment; and segments of the economy where Wales can demonstrate international class capabilities such as compound semiconductors, fintech and cyber security. The Minister outlined "an extensive engagement programme" involving the Welsh Government's overseas offices, wider networks, critical industry clusters and stakeholders aimed at raising the profile of investment opportunities in Wales.⁷⁷

70. The Minister told the Committee that its international trade programme will be "reduced" as a result of the budget cuts described above. One impact is that the Welsh Government expects to take part in 16-17 trade missions overseas

⁷³ Written evidence

⁷⁴ [The Welsh Government's International Strategy](#)

⁷⁵ Written evidence

⁷⁶ Written evidence

⁷⁷ Written evidence

instead of 19.⁷⁸ The Minister for Rural Affairs, North Wales, and Trefnydd told the Committee that the Welsh Government is exploring virtual activity to promote food exports for the same reason.⁷⁹ When asked on what basis decisions will be made to prioritise activity, the Minister for Economy said:

"I'll look at the size and scale of the market and have advice from the team about where the market is, what the biggest opportunities are and how we will do that."⁸⁰

71. In his written evidence, the Minister described the “ongoing implications of implementing” the UK-EU Trade and Cooperation Agreement (TCA). He said that the European market is a “key focus of our trade promotion activity” and reiterated that the EU remains Wales’s largest trading partner. The Minister described the post-Brexit trading environment as “more bureaucratic and costly for business”. He said supporting businesses to understand the requirements and opportunities of trading with the EU is a “vital element in the delivery of the Export Action Plan”.⁸¹

The Committee is concerned about the impact of the reduction of the export, trade and inward investment budget line on the Welsh economy and jobs. Members welcome the Minister’s engagement on trade with the Committee so far. Going forwards Members would like to be kept informed of the impact of this reduction in spend. Members would also like to hear more about the Welsh Government’s activity around trade missions and how the Export Action Plan is being delivered.

Recommendation 24. The Welsh Government should closely monitor the impact of the reduction of the Export, Trade and Inward Investment budget line and keep the Committee informed of any impact this has.

Recommendation 25. The Welsh Government should write to the Committee to provide more detail on activities under the Export Action Plan, including to confirm which of its short and medium-term actions have been delivered and which will be delivered against the 2024-25 budget.

Recommendation 26. The Welsh Government should keep the Committee informed of its participation in trade missions.

⁷⁸ Paragraph 372, Economy, Trade and Rural Affairs Committee, 18 January 2024

⁷⁹ Paragraph 192, Economy, Trade and Rural Affairs Committee, 18 January 2024

⁸⁰ Paragraph 374, Economy, Trade and Rural Affairs Committee, 18 January 2024

⁸¹ Written evidence

Border Control Posts

72. £6.426 million has been allocated to a new Border Controls budget line, £6.4 million of which is from reserves. For the 2023-24 budget, Border Control Posts came under the Rural Affairs budget, as an action for 'Rural Affairs Monitoring, EU Exit Strategy and Border Control Posts' (under the Strategic Evidence, Monitoring, Borders and Intergovernmental Monitoring budget line). The final budget allocation was £3.389m. This budget line and action remain in the 2024-2025 Draft Budget with a reduced allocation of £2.639 million (a £750,000 / 22.1% reduction).⁸²

73. The Minister for Economy confirmed that the Welsh Government had spent £9.3 million up to 31 March 2023, which includes a £3.3 million contribution from the UK Government for 2022-23. The Minister advised that, based on current assumptions, the projected total further spend over the current (2023-24) and next financial year (2024-25) is not expected to exceed £70 million. The Welsh Government anticipates programme costs will cease after 2024-25 but this will be "clearer" with an agreed start date for physical checks.⁸³

74. In his evidence paper the Minister reiterated statements made to the Committee, that the Welsh Government believes BCP facilities should be fully funded by the UK Government. He provided an update on this issue, that:

- HM Treasury has committed to fund build costs for Holyhead, Fishguard and Pembroke Dock;
- UK Government has recently rejected funding the transitional costs to reach steady state, including the costs to set up the arrangements;
- UK Government has also rejected meeting additional Welsh Government staff costs; Welsh Government believes these costs should also be met and were a condition of it agreeing to the Border Target Operating Model;
- Welsh Government is continuing discussions with HM Treasury and expects resolution "shortly"; and
- Welsh Government has made provision in the 2024-25 Draft Budget of £6.4m for these revenue costs, in the meantime. The revenue costs

⁸² Written evidence

⁸³ Written evidence

include start-up costs (recruitment, training etc) for the local authorities before charges are introduced, and the Welsh Government's own programme costs.⁸⁴

The Committee is concerned about the delivery of Border Control Posts. Members understand this is a new responsibility for the Welsh Government and that the requirements for the BCPs have changed due to factors out of Welsh Government control. However given the seriousness of the concerns on the funding of BCPs explained by the Minister, the Committee would welcome more information on this matter.

Recommendation 27. The Welsh Government should write to the Committee explaining how planned activities for Border Control Posts are divided between the Strategic Evidence, Monitoring, Borders and Intergovernmental Monitoring budget line in the Rural Affairs main expenditure group, and the Border Controls line in the Economy main expenditure group.

Recommendation 28. The Welsh Government should write to the Committee to provide an update on whether the Welsh and UK governments have reached a resolution on funding for Border Control Posts.

Recommendation 29. The Welsh Government should write to the Committee to confirm what the impact of a possible resolution with the UK government regarding funding Border Control Posts is on draft budget allocations, including the £6.4 million of reserves allocated by the Welsh Government to cover costs while funding issues are resolved with the UK Government.

Recommendation 30. The Welsh Government should clarify to the Committee what proportion of the £6.4 million of reserves it expected to receive from the UK Government. It should also confirm whether this amount has changed following intergovernmental discussions as a result of the UK Government's decision not to fund aspects of Border Control Posts, as described by the Minister.

International Trade Agreements

75. There is no specific draft allocation for international trade agreements and no mention is made by the Minister of potential associated costs in his evidence. However, in its analysis of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) the Welsh Government states that a trade

⁸⁴ Written evidence

mission is planned for Australia in March 2024, “with potential plans for market visits to other CPTPP member countries in future”.⁸⁵

The Committee would like more information on the budget for trade missions and other associated costs linked to international trade agreements.

Recommendation 31. The Welsh Government should write to the Committee to confirm if there are any planned costs in 2024-25 relating to the implementation of post-Brexit international trade agreements, including implementation, trade missions and Ministerial overseas travel.

⁸⁵ [The UK's accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership: A Welsh Government Perspective](#)