

Agenda – Economy, Trade, and Rural Affairs Committee

Meeting Venue:

Committee room 5 – Tŷ Hywel
and video Conference via Zoom

Meeting date: 18 January 2024

Meeting time: 10.30

For further information contact:

Robert Donovan

Committee Clerk

0300 200 6565

SeneddEconomy@senedd.wales

Hybrid

Private pre-meeting (10.05–10.20)

At its meeting on 13 December 2023 the Committee agreed a motion under Standing Order 17.42(ix) to exclude the public from item 1 of today's meeting

Private (10.20–10.30)

1 Inquiry: Green Economy – scoping paper

(10.20–10.30)

(Pages 1 – 13)

Attached Documents:

Scoping paper

Public meeting (10.30–13.40)

2 Introductions, apologies, substitutions, and declarations of interest

(10.30)



3 Papers to note

(10.30)

3.1 Inter-Ministerial Group for Trade meeting

(Page 14)

Attached Documents:

Letter from the Minister for Economy – 11 December 2023

3.2 Inquiry into UK-EU Governance

(Pages 15 – 16)

Attached Documents:

Letter from the Chair of the Legislation, Justice and Constitution Committee to Committee Chairs – 19 December 2023

3.3 General Ministerial Scrutiny – 13 December 2023

(Pages 17 – 18)

Attached Documents:

Letter from the Chair to the Minister for Rural Affairs and North Wales, and Trefnydd – 3 January 2024

3.4 The Official Controls (Extension of Transitional Periods) (Miscellaneous Amendments) Regulations 2024

(Pages 19 – 20)

Attached Documents:

Letter from the Minister for Rural Affairs and North Wales, and Trefnydd – 10 January 2024

4 Welsh Government Draft Budget 2024–25: Minister for Rural Affairs and North Wales, and Trefnydd

(10.30–12.00)

(Pages 21 – 65)

Lesley Griffiths MS, Minister for Rural Affairs and North Wales, and Trefnydd, Welsh Government

Gian Marco Currado, Director, Rural Affairs, Welsh Government

Richard Irvine, Chief Veterinary Officer, Welsh Government

Dean Medcraft, Director of Finance & Operations, Welsh Government

Attached Documents:

Evidence paper – Welsh Government

Research brief

Break (12.00–12.10)

5 Welsh Government Draft Budget 2024–25: Minister for Economy

(12.10–13.40)

(Pages 66 – 143)

Vaughan Gething MS, Minister for Economy, Welsh Government

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

Dean Medcraft, Director of Finance and Operations, Welsh Government

Attached Documents:

Evidence paper – Welsh Government

Research brief

ColegauCymru Draft Budget – Apprenticeship briefing

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

(13.40)

Private (13.40–13.50)

7 Welsh Government Draft Budget 2024–25: Consideration of evidence

(13.40–13.50)

Agenda Item 1

Document is Restricted

Agenda Item 3.1

Vaughan Gething AS/MS
Gweinidog yr Economi
Minister for Economy



Llywodraeth Cymru
Welsh Government

Our ref/ein cyf: VG-PO-0431-23

Paul Davies MS
Chair of Economy, Trade, and Rural
Affairs Committee

Huw Irranca-Davies MS
Chair of Legislation, Justice and Constitution
Committee

SeneddEconomy@senedd.wales

SeneddLJC@assembly.wales

11 December 2023

Dear Paul, Huw

I am writing in accordance with the inter-institutional relations agreement to inform you that I attended the Inter-ministerial Group for Trade on Wednesday 29 November.

The meeting was attended by Greg Hands, Minister of State at the Department for Business and Trade; Richard Lochhead, Minister for Small Business, Trade and Innovation, Scottish Government and Ministers from the Wales and Northern Ireland Offices.

We discussed the ongoing negotiations with India, preparations for the upcoming WTO ministerial conference (MC13), as well as engagement between the devolved governments and UK government around the US MoU negotiations.

I will write to you again to inform you of the date of the next meeting.

Yours sincerely,

Vaughan Gething AS/MS
Gweinidog yr Economi
Minister for Economy

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

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

YPCCGB@llyw.cymru PSCGMET@gov.wales

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

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

**Y Pwyllgor Deddfwriaeth,
Cyfiawnder a'r Cyfansoddiad**

**Legislation, Justice and
Constitution Committee**

Welsh Parliament
Cardiff Bay, Cardiff, CF99 1SN
SeneddLJC@senedd.wales
senedd.wales/SeneddLJC
0300 200 6565

Llyr Gruffydd MS

Chair, Climate Change, Environment, and Infrastructure Committee

Paul Davies MS

Chair, Economy, Trade, and Rural Affairs Committee

Delyth Jewell MS

Chair, Culture, Communications, Welsh Language, Sport, and International Relations Committee

Jenny Rathbone MS

Chair, Equality and Social Justice Committee

19 December 2023

Dear Chairs,

Inquiry into UK-EU governance

You will be aware that the Senedd's Legislation, Justice and Constitution Committee considers the constitutional impact of Wales's external affairs, including the governance and implementation of UK-EU agreements.

We have recently undertaken a short inquiry into UK-EU governance to build on our early findings on the role and representation of the Welsh Government and Senedd in post-Brexit UK-EU relations, as outlined in our [submission to the House of Lords European Affairs Committee](#) in October 2022.

Due to the work that your Committees undertake within your remit in relation to UK-EU agreements, we agreed to draw your attention to our [report](#) on the inquiry.

For information, we intend to hold a debate on the report on 21 February 2024.

Yours sincerely,

Huw Irranca-Davies

Huw Irranca-Davies

Chair



Lesley Griffiths MS

Minister for Rural Affairs and North Wales, and Trefnydd

3 January 2024

Dear Lesley

General Ministerial Scrutiny – 13 December 2023

Thank you for your time with the Committee to discuss issues in your portfolio. It was a very useful session, and raised some questions that Members agreed to follow up with you for further clarification.

Sustainable Farming Scheme (SFS)

Members welcome the opening of a 12 week consultation on detailed SFS proposals. In Committee the payment rates associated with the scheme were discussed. Members noted that the payment rates will not be announced until the summer of 2024, after the outcome of the SFS consultation and final design of the scheme. Members are concerned about the implications of uncertainty about payment rates for farmers and their businesses:

- Can the Minister set out how she will be engaging with the farming industry with regard to payment rates, to ensure buy-in and participation in the SFS scheme to assure its success?

Applying lessons learnt from implementing the Habitat Wales scheme (HWS)

The development of the SFS must take account of the various problems identified by stakeholders in the design of the Habitat Wales Scheme (HWS). These concerns have been set out in recent correspondence between the Minister and the Committee, and raised in Plenary sessions by Members across the Senedd. The Minister's response to the Committee's letter on HWS said "The development and delivery of the scheme has given us valuable lessons which we will use as we finalise the SFS.":

- Can the Minister provide a list of lessons learned from designing the HWS that will be considered for finalising and implementing the SFS?

Agricultural Pollution Regulations

Members welcome the Minister's offer to update the Committee in the New Year on work on alternative measures:

- Members look forward to receiving that update on the assessment of proposals for alternative measures as soon as possible, given that the enhanced nutrient management approach is a temporary measure put in place for the 2024 calendar year.

Animal Disease

There was discussion of preparedness for animal disease outbreaks in Wales, including managing the risks and being prepared for more than one outbreak at the same time. There was discussion of various notifiable diseases including Foot and Mouth Disease, of which there have been outbreaks in Turkey.

- Members welcome the proactive work being done, and would appreciate seeing the summary report of the recent table-top exercise and workshops, once completed, to help understand any gaps in preparedness and how these are being addressed.
- Members would appreciate receiving more information in particular about preparedness and vaccine stocks available for Bluetongue viral disease given the recent detection in England.

As you will be attending a scrutiny session on Welsh Government's Draft Budget Proposals for 2024-25 on 18 January, after which the Committee will report to the Senedd on the rural affairs budget, it would be helpful if you are able to respond to this letter in advance of that 18 January Committee meeting.

Kind regards,



Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English

Paul Davies MS
Chair
Economy, Trade and Rural Affairs Committee
Senedd Cymru
Cardiff Bay
Cardiff
CF99 1SN

SeneddEconomy@senedd.wales

10 January 2024

Dear Paul

The Official Controls (Extension of Transitional Periods) (Miscellaneous Amendments) Regulations 2024

I am writing to inform the Committee that I have given my consent to the Minister of State for Biosecurity, Animal Health and Welfare to lay the Official Controls (Extension of Transitional Periods) (Miscellaneous Amendments) Regulations 2024.

I have laid a Written Statement which can be found at:
<https://senedd.wales/media/oemk4plv/ws-ld16248-e.pdf>

These Regulations have been made using powers in the

1. paragraph 11A of Schedule 2 to the Trade in Animals and Related Products Regulations 2011;
2. Articles 144(6) of, and paragraphs 2 and 3 of Annex 6 to the Official Controls Regulations (EU) 2017/625 and

Consent has been given for the UK Government to make these Regulations following the publication of the Border Target Operating Model (TOM). This statutory instrument will be the first piece of legislation to implement the first milestone of the TOM from 31 January 2024. The purpose of the SI is to introduce health certification on imports of medium risk animal products, plants, plant products, and high-risk food and feed of non-animal origin from the European Union. This change includes an amendment to the Trade in Animals and Related Products (Wales) Regulations 2011. It will also remove the pre-notification exemption for goods from the island of Ireland for medium risk animal products, plants, and plant products.

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

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

Gohebiaeth.Lesley.Griffiths@llyw.cymru
Correspondence.Lesley.Griffiths@gov.wales

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

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

Additionally, it will amend the Transitional Staging Period (TSP) end date, from 31 January 2024 to 29th April 2024 so that the second stage of the TOM can begin from 30th April 2024. We have not yet agreed a date for physical checks to begin on imports from Ireland, so I anticipate that a further TSP extension will be required from the end of April until a date to be agreed.

The Statutory Instrument is subject to the negative procedure and was laid before Parliament on 9 January 2024 and will come into force on 30 January 2024.

I would like to reassure this Committee that while it is normally the policy of the Welsh Government to legislate for Wales in matters of devolved competence, in certain circumstances there are benefits in working collaboratively with the UK Government where there is a clear rationale for doing so. The change to the Trade in Animals and Related Products (Wales) Regulations 2011 mirrors that made by the Secretary of State to the equivalent Scottish and English Regulations, to create a single, accessible and bilingual amendment. On this occasion, therefore, I have given my consent to these Regulations for reasons of efficiency and expediency, and cross-UK coordination and consistency.

I regret it was not possible to give the Committee advance notice as the statutory instrument was received during recess.

I am writing in similar terms to Huw Irranca Davies MS, Chair of the Legislation, Justice and Constitution Committee.

Yours sincerely

A handwritten signature in black ink that reads "Lesley Griffiths". The signature is written in a cursive style with a large, sweeping flourish at the end.

Lesley Griffiths AS/MS
Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd
Minister for Rural Affairs and North Wales, and Trefnydd

Agenda Item 4

Memorandum on the Rural Affairs Draft Budget Proposals for 2024-25

Economy, Trade and Rural Affairs Committee – 18 January 2024

1.0 Purpose

1.1 This paper provides information to the Economy, Trade and Rural Affairs Committee on the Rural Affairs (RA) (MEG) proposals outlined in Draft Budget 2024-25, published on 19 December. It also provides an update on specific areas of interest to the Committee. The summary of the budget structure can be found at Annex A of the evidence paper.

2. Summary of Budget Changes

1.2 The table below provides an overview of the plans summarised at a high level by business area for the Rural Affairs MEG published in the Draft Budget 2024-25.

The total resource budget is summarised in Table 1 below:

TABLE 1: Overview of the Resource Budget							
	2023-24 Final Budget restated £'000	2024-25 Indicative Budget £'000	Change £'000	% Change	2024- 25 New Plans Draft Budget £'000	Change £'000	% Change
Revenue							
Agriculture, Food & Fisheries	354,215	376,215	22,000	6%	303,275	(72,940)	-19%
Protect and Improve Animal Health & Welfare	41,499	41,499	0	0%	41,499	0	0%
Rural Affairs Monitoring and EU Exit Strategy	3,389	3,389	0	0%	2,639	(750)	-22%
Environment, Wildlife Management and Community Green Spaces	1,586	1,586	0	0%	1,586	0	0%
Sub Total	400,689	422,689	22,000	5%	348,999	(73,690)	-17%
Non Cash							
Agriculture, Food & Fisheries	10,817	10,817	0	0%	10,817	0	0%
Sub Total	10,817	10,817	0	0%	10,817	0	0%
TOTAL	411,506	433,506	22,000	5%	359,816	73,690	-17%

Resource

In 2024-25 the Revenue budget reduces by £51.7m against the 23-24 Restated Final Budget. A Welsh Government wide reprioritisation exercise led by the Minister for Finance and Local Government took place to target allocations to protect frontline public services, Programme for Government and help those effected by the Cost of Living Crisis. This is partly off-set by an increase in Capital budget of £23m to re-align activity across the rural investment schemes.

Capital

The capital budget allocation of £60.0m, an increase of £22.8m for 2024-25, is set out in Table 2 as follows:

The total capital budget is summarised in Table 2 below:

TABLE 2: Overview of the Capital Budget							
	2023-24 Final Budget restated £'000	2024-25 Indicative Budget £'000	Change £'000	% Change	2024- 25 New Plans Draft Budget £'000	Change £'000	% Change
General Capital							
Agriculture, Food & Fisheries	37,200	37,000	(200)	-1%	60,000	23,000	62%
TOTAL	37,200	37,000	(200)	-1%	60,000	23,000	62%

- 1.3 A breakdown of the RA MEG by spending area, action and BEL for 2024-25 and future years is provided at Annex A. A transparent narrative explanation has been provided to explain increases and reductions, where not covered in the evidence paper. This only covers the budgets that are been securitised as part of this committee.

2.0 Monitoring of budgets

- 2.1 All budgets continue to be monitored and challenged on a monthly basis during 2023-24, to consider the latest forecasts and budget movements as necessary. I receive regular financial updates on the forecasts for the MEG to ensure that budgets remain on track to deliver my priorities. We maintain very close monitoring to ensure funding is being invested where best needed whilst supporting our priorities.

3.0 Evidence base for budget decisions.

- 3.1 The Agriculture (Wales) Act 2023 has established the Sustainable Land Management (SLM) framework to underpin all future agricultural support (other than BPS throughout the Transition Period 2025-2029). The SLM framework comprises four SLM objectives: 1) To support the Sustainable Production of Food and other Goods, 2) to mitigate and adapt to climate change, 3) to maintain and enhance the resilience of ecosystems and the benefits they provide, and 4) to conserve and enhance the countryside and cultural resources and promote public access to and engagement with them, and to sustain the Welsh language and promote and facilitate its use. These four objectives are not hierarchical and must be considered together.
- 3.2 The SLM Duty included in the Act obliges Welsh Ministers to consider how future support 'best contributes' to meeting the SLM objectives.
- 3.3 In adopting Sustainable Land Management as the framework, future agricultural support and regulation in Wales will be consistent with Welsh Government's obligations under the Well-being of Future Generations (Wales) Act 2015, helping to contribute to the well-being goals under section 4 of that Act, and the Environment (Wales) Act 2016
- 3.4 The Act now enables us to bring forwards new support mechanisms such as the Sustainable Farming Scheme (SFS) due to launch in 2025.
- 3.5 We are committed to delivering a strategic approach to Fisheries, working with stakeholders. A clear focus will be on delivery of sustainable fisheries, managed in an adaptive way, for which we have budget allocated for in the financial year. I intend to work with stakeholders to establish the priorities for delivery.
- 3.6 A key enabler will be the underpinning of our strategic approach by a clear plan for investment in our seafood sector, and crucial to this investment will be the support we provide through a replacement to the EMFF scheme via the Welsh Marine and Fisheries Scheme. This scheme will enable Welsh Ministers to support the sustainable growth of the marine economy whilst protecting and enhancing the marine environment.

4.0 Impact of Cost of living on budget allocations and programmes

This Draft Budget has been prepared in line with our priorities to:

- Protect core, frontline public services as far as possible.
- Deliver the greatest benefit to households which are hardest hit.
- Prioritise jobs, wherever possible.
- Work in partnership with other public sector bodies to face this financial storm together.
- Re-focus funding away from non-devolved areas, which the UK Government should be funding.

4.1 **In this context supporting households with the cost-of-living pressures remains a priority for the Welsh Government**

4.2 I recognise that impact the cost of living crisis is having in Wales and the Welsh Government has worked hard with our 2024-25 draft budget proposals to protect as much as possible the most vulnerable in society from its impacts. This is particularly true of rural communities who often have higher commuting and energy costs to those living in urban communities.

4.3 I have protected the BPS budget at £238m for 2024, the same level as 2023, as we had planned to do. As the transition to life outside the EU – and beyond BPS – continues, we are asking the agriculture sector to undergo a significant change to support the delivery of our sustainable land management objectives.

5.0 Lasting implications of the pandemic

The whole food chain continues to struggle to fill job vacancies, from seasonal labour requirements previously filled with migrant workers, in agriculture and food manufacturing to permanent vacancies at all skill levels across food manufacturing and hospitality sectors. Food manufacturers have consolidated product ranges and shortened working weeks in response to the labour crisis. The UK has a significant problem where large numbers in the 50+ age group left the workforce during Covid and are unwilling to return.

6.0 Impact on Deprivation and Poverty

6.1 Over this spending review period (including 22-23, 23-24 and 24-25) I am making significant funding available to support the resilience of the rural economy and our natural environment and have already announced over £200m worth of rural schemes. This funding provides vital support for our primary production and food sectors which have, and continue to be, affected by the impacts of Covid, the UK's withdrawal from the European Union and the rising cost of living.

7.0 Withdrawal from the European Union

7.1 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 has still to be determined. For example, the UK Government's approach to reforming legislation under the Retained EU Law (Revocation and Reform) Act 2023 is likely to require a significant effort across the portfolio. We need to continue to adapt to this evolving context and respond to a completely new way of working for Wales in terms of our role in the UK and our engagement with the EU and other trading nations. This requires the maintenance of effective inter-government communications. For example, the Minister for Climate Change and I are part of a formal Inter-Ministerial group with UK Government (Defra), Scottish Government

and Northern Ireland Executive, in which we now have to agree how we work together to further policy where powers have flowed back from the EU.

7.2 This work is supported by a series of common frameworks which are undergoing scrutiny by relevant committees. These set arrangements for how we come together across the UK in subject areas. Furthermore, the machinery of the EU TCA is still evolving and requiring us to think differently about how we respond, in the same way as we need to understand the impact of an evolving trading environment, not only in terms of the EU TCA but also the impact of emerging free trade agreements with other nations.

8.0 Programme for Government 2021-2026 / The Labour-Plaid Co-operation Agreement: An explanation of how the budget allocations within your portfolio align to Programme for Government and The Labour-Plaid Co-operation Agreement commitments and priorities.

The budget allocations for the Rural Affairs MEG ensures that it prioritises my Programme for Government commitments, not only in the Rural Affairs portfolio but across Government. For example, many of the Climate Change specific Programme for Government commitments are supported by investment from the RA MEG. For example, the Nutrient Management Investment scheme is supporting investments which enhance on-farm nutrient management, protect, and enhance water, soil and air quality, improve on-farm resource efficiencies, technical performance, and the use of technology to improve management decisions.

The Community Food Strategy has the potential to deliver many benefits which advance the Future Generations Well-being goals. While 'food' is the common factor, the societal benefits could be wide ranging. The Welsh Government's strategy will be to enable and encourage stakeholders and partners to play a full part in improving the focus on food matters, and planning and delivery across public bodies and public services boards where food is relevant. The Community Food Strategy will be an enabling framework for this, where we will look to our partners to play a full role in working with us and others. The strategy will not be a delivery or action plan. Welsh Government will be looking to maximise the impact of existing resources, how they are purposed and what outcomes they can generate, rather than providing additional financial resources. Structures to advance community food are already in place, with Welsh Government having pump primed Local Food Partnerships through a one-off grant to establish them across Wales.

8.1 How the Rural Affairs budget allocations address the Welsh Government's commitment to respond to the climate and nature emergencies across all policy areas.

8.2 The SLM Duty included in the Agriculture (Wales) Act obliges Welsh Ministers to consider how future support 'best contributes' to meeting the SLM objectives, which includes to mitigate and adapt to climate change.

- 8.3 The Sustainable Farming Scheme, which is being introduced through powers in the Act is being designed within the context of all four SLM objectives.
- 8.4 The Land Management Reform Division is responsible for designing the Sustainable Farming Scheme by liaising across Climate Change and Rural Affairs to bring together multiple policy commitments.
- 8.5 The SLM objectives are broken down further into 15 SLM outcomes, referred to as the 'Purposes' in the Act – such as improving the resilience of agricultural businesses, improving air quality and maximising carbon sequestration and storage.
- 8.6 The SFS will contain a suite of actions which will deliver against the SLM Objectives including Actions to mitigate and adapt to climate change
- 8.7 Our programme of change includes the design of evidence based policy, the development of the underpinning legislative framework and all aspects of stakeholder engagement and business change within the agricultural industry.
- 8.8 The significant funding of over £200m is supporting our farmers, foresters, land managers and food businesses to promote the sustainable production of food and support the rural economy on the path to a net zero, nature positive Wales. Funding includes a focus on woodland and forestry, on farm environmental improvements, sustainable land management, productivity and diversification. We are also targeting landscape scale land management and food and farming supply chains.

9.0 Preventative Spend

- 9.1 These budget proposals reflect my continuing commitment to protect and prioritise investment that supports preventative measures as far as possible. Value for money and clarity over how we use our resources effectively is central to delivering our priorities. Once expenditure is planned in line with priorities, we have well-established processes in place to ensure that resources are used effectively for the purposes intended.
- 9.2 Funding allocated to rural schemes is all preventative – targeting agri-environment improvements through the Habitat Wales Scheme; improved productivity and viability of businesses through BPS and targeted investment grants, the creation and restoration of woodland; and many other schemes being delivered. The Food Business Accelerator Scheme offers capital grants to support sustainable growth in food manufacturing and productivity improvements, while the Sustainable Innovation Scheme offers a range of revenue based support and expertise to advance innovation and accreditation standards in the food manufacturing sector.

- 9.3 RDP and replacement capital funding programmes are designed in such a way to promote sustainable practices and drive reduction in carbon emissions (and therefore work to prevent the impact of climate change). For example, through the Growing for the Environment scheme supports the growing and utilisation of crops, which can result in improvements in the environmental performance of a farm business. The scheme objectives are to support farmers to reduce carbon and greenhouse gas emissions, adapt to climate change and build greater resilience into farm businesses, improve water quality and reduce flood risks, and contribute towards a reversal in the decline of Wales' native biodiversity.
- 9.4 Rural schemes are informed by departmental strategies and policies, which have taken into account the WFGA ways of working, including preventative approaches and contribute to the Sustainable Land Management objectives established by the Agriculture (Wales) Act 2023.
- 9.5 During 2023/24 I have opened Expression of Interest windows for a range of rural schemes. These include the Small Grants – Yard Coverings scheme, for which I opened a window in November 2023. This capital scheme is designed to support farmers in Wales to improve on-farm nutrient management by investing in existing in farm infrastructure. Support is provided to separate rainwater and slurry from areas such as livestock feeding and gathering areas, manure storage areas and slurry/silage stores. The objectives are to increase on-farm investment, increase technical performance, increase on-farm production efficiencies and increase on-farm resource efficiencies. In January 2024 I will launch window 6 (of 8 in total) of the Small Grants – Environment scheme which is providing a maximum of £7,500 funding per window for Capital Works Projects. Set lists of Capital Works are available to support the delivery of beneficial environmental outcomes under the themes of carbon, water, and landscape and pollinators.

10.0 Well-being of Future Generations Act

- 10.1 My draft budget preparations shows how I have sought to reflect the framework of the Wellbeing of Future Generations Act and the Sustainable Land Management objectives in the Agriculture (Wales) Act in setting our spending priorities . We reviewed current trends and future projections and their potential impacts in the short, medium and longer term. We did this to ensure, as far as possible, that short term responses do not have longer term detrimental impacts.
- 10.2 All funding for rural development will need to align with the Sustainable Land Management objectives and our priorities for the sustainable management of natural resources . These priorities are framed around the ways that natural resources can support our well-being goals and address

both the risks to the environment and the social and economic benefits they provide.

11.0 Impact Assessments

11.1 After reviewing the key changes above, a number of key programmes were subject to Integrated Impact Assessments covering equality, Welsh language and Children's Rights. Integrated impact assessments are mainstreamed into policy setting as well as budgetary decisions.

11.2 The results from the impact assessments show that there are no disproportionate impacts on the identified groups due to these budgetary decisions. A further assessment will be made prior to Final Budget.

12.0 Equality, Welsh language and children's rights assessment

12.1 The results from the impact assessments show that there are no disproportionate impacts on the identified groups due to these budgetary decisions.

12.2 Wales is the first country in the UK, and one of only a few countries in the world, to enshrine the United Nations Convention on the Rights of the Child (UNCRC) into domestic law with the Rights of Children and Young Persons (Wales) Measure 2011.

The duties within the Measure are implemented in two stages and place duties on Welsh Ministers to give balanced consideration to the rights in the UNCRC and its optional protocols when formulating or reviewing policy and legislation; and when they use all their legal powers or duties.

12.3 Across my portfolio, each member of staff is required to consider how their work affects children's rights, and this process has informed the Integrated Impact Assessment. No significant impacts on children's rights have been identified in the setting of this budget.

13.0 Strategic Context – specific areas of interest.

13.1 The development and implementation of agricultural policy including the proposed Sustainable Farming Scheme for Wales.

13.2 The budget allocation of £500K will be sufficient in 2024/25 to fund the ongoing policy development of the Sustainable Farming Scheme.

13.3 This budget has been allocated to funding ongoing evidence packages to support policy development and fund potential preparatory actions as we move closer to 2025 and the launch of the Sustainable Farming Scheme. This budget allocation will also fund the analysis of the consultation on the proposed Sustainable Farming Scheme and continued engagement with

stakeholders and the farming community to facilitate the behavioural shifts needed to adapt farming practices on a national scale.

13.4 Rural Payments Wales have been enhancing and developing its IT and online platform in preparation for SFS. A budget allocation of £6m Capital and £3.7m Revenue will allow ongoing system maintenance and developments to introduce the SFS in parallel with the phasing out of BPS from 2025.

13.5 The development of fisheries policy, including the delivery of a Joint Fisheries Statement and Fisheries Management Plans.

13.6 Development of Fisheries Policy and Fisheries Management Plans in line with the timelines set out in the UK Joint Fisheries Statement linked to the UK Fisheries Act 2020.

13.7 **Bovine TB eradication.**

13.8 The TB Eradication Programme sets out the Welsh Government's long term vision for the eradication of bovine TB in Wales. The programme is based on the four key principles of infectious disease control: Keep it Out, Find it Fast, Stop it Spreading and Stamp it Out. We have seen good progress since our programme was first established, with long term decreases in incidence and prevalence. Between 2009 and 2022, there was a 49% decrease in new incidents, while 94.7% of herds in Wales were TB free at end of June 2023.

13.9 As part of its *Programme for Government 2021 - 26* commitments the Welsh Government continues to prohibit the culling of badgers as part of the TB Eradication Programme. Funds continue to be made available to support private vaccination schemes across Wales, whilst assessing the most appropriate, cost-effective deployment of the Badger BCG vaccine as a protective measure.

13.10 A regionalised approach to TB eradication was launched in 2017 creating Low, Intermediate and High TB Areas and policies have continued to be refined, reacting dynamically to the changing disease picture.

13.11 Following consultation, the Minister announced a new 5-year delivery plan for the TB Eradication Programme in March 2023.

13.12 **TB statistics latest position**

13.13 These are the latest published statistics for the twelve months to the end of March 2023 (other figures quoted by MSs may be out of date). These figures were published on the 13 September 2023. The next release of TB statistics will be published on 13 December 2023.

13.14 Bovine TB statistics for Wales to June 2023 (latest month of published data):

13.15 94.7% of herds were TB free at end of June 2023.

13.16 Long-term falls in TB indicators:

- New incidents have decreased from **1,185** in 2009 to **609** in the 12 months to June 2023, representing a **48.6% decrease** in new incidents.
- Animals slaughtered for TB control has decreased from **11,655** in 2009 to **9,529** in the 12 months to June 2023, representing an **18.2% decrease**.
- On 30 June 2023, there were **898** herds under restrictions, compared to the peak of **2,268** herds under restriction on 31 March 2009. This represents a **60.4% decrease**.
- On 30 June 2023, there were **608** non-Officially TB free herds, compared to the peak of **1,066** on 30 April 2009. This represents a **43.0% decrease**.
- Herd prevalence has decreased from the peak in April 2009 at **7.8%** to **5.3%** in June 2023.

13.17 Medium-term trends:

- In the 12 months to June 2023, new incidents decreased to **609** from **746** for the same period to June 2018, representing an **18.4% decrease**.
- In the 12 months to June 2023, animals slaughtered for TB control decreased to **9,529** from **10,024** for the same period to June 2018, representing a **4.9% decrease**.
- On the 30 June 2023 there were **898** herds under restriction, compared with **857** herds under restriction on 30 June 2018. This represents a **4.8% increase**.
- On the 30 June 2023 there were **608** non-Officially TB free herds, compared with **623** on 30 June 2018. This represents a **2.4% decrease**.
- Herd prevalence has **increased** from **5.2%** on 30 June 2018 to **5.3%** on 30 June 2023.

13.18 Short-term trends:

- In the 12 months to June 2023, new incidents decreased to **609** from **649** for the same period in the previous year, representing a **6.2% decrease**.
- In the 12 months to June 2023, animals slaughtered for TB control decreased to **9,529** from **9,700** for the same period in the previous year, representing a **1.8% decrease**.
- On the 30 June 2023 there were **898** herds under restriction, compared with **927** herds under restriction on 30 June 2022. This represents a **3.1% decrease**.
- On the 30 June 2023 there were **608** non-Officially TB Free herds, compared with **601** on 30 June 2022. This represents a **1.2% increase**.
- Herd prevalence has **increased** from **5.2%** on 30 June 2022 to **5.3%** on 30 June 2023.

14.0 Avian Flu

14.1 Since 1 October 2023 we have moved into the 2023/24 administrative outbreak period for avian influenza. As of 30 November, there have been 4 outbreaks during this new 2023/24 period (2 in England and 2 in Scotland). There were 208 UK cases of highly pathogenic avian influenza (HPAI) confirmed in poultry and captive birds in the 2022/2023 administrative outbreak which covered October 2022 through to September 2023, placing significant resourcing and funding pressures on APHA and increasing the unfunded pressure against this budget.

14.2 At the time of writing, the epidemic is continuing and the risk of infection to poultry is maintained at low while the risk level for wild birds is maintained at high. Wild migratory birds will continue to arrive to GB until mid-December and January, and the increase in wild bird biomass will increase potential infection pressure on captive birds, meaning the risk levels for these two groups are likely to change. While cases to date have been lower than in the 2022/23 outbreak, accurate forecasting as to the number of infected premises and birds for the coming months cannot be predicted. Ongoing wild bird migration until January may add additional.

14.3 Continued effective management of avian influenza cases in kept poultry is very important to reduce the direct and indirect impact on the poultry industry and reduce the likelihood of virus evolving and posing a greater threat to human health.

15.0 TB Testing

15.1 In Wales a skin test (*SICCT*) to the neck of cattle is used to identify infected animals. This compares the reactions to the injection of both bovine and avian tuberculin. In general animals that react to the bovine more than the avian tuberculin are considered as skin test reactors.

15.2 This is a long established test and is used worldwide as the main surveillance test for TB control programmes. At standard interpretation the test is likely to identify only one 'false positive' animal in every 5000 non-infected cattle tested. However, on average it may only identify 81% of infected animals. There is currently no test, or combination of tests, that will:

- identify all cattle infected with TB; and
- identify all non-infected cattle as negative animals i.e. no "false positives".

15.3 To improve the control of bovine TB, a higher number of infected animals need to be identified, whilst limiting the number of false positives. This is to an extent achieved through the supplementary use of an Interferon-gamma blood test and an IDEXX Antibody blood test. These tests are used strategically in herds or individual animals, where risk criteria suggest they are best deployed.

15.4 In Wales we test:

- each herd every year
- any animal before it moves off farm* (subject to exemptions as set out in the Tuberculosis (Wales) Order 2010, as amended)
- any animal moving into a herd within the Low and intermediate TB areas* (subject to exemptions as set out in the Tuberculosis (Wales) Order 2010, as amended)

** Nb - Pre-movement testing for moves from herds in the Low TB Area & post-movement testing for herds in the Intermediate TB Areas are being introduced in legislative changes from Feb 2024. These are in addition to requirements already in place in other TB areas.*

- 15.5 We inspect animals at the abattoir to identify any infected with TB, not identified in the testing surveillance programme (they become “slaughterhouse cases” and result in follow up testing in the source herd).

16.0 TB compensation

- 16.1 Welsh Government has a statutory commitment to pay TB compensation.

- 16.2 This is a demand led area of expenditure that is directly linked to the volume of animals slaughtered because of TB. Variables such as the number of animals slaughtered, market value of each animal and the amount of salvage value applicable to each animal has an effect on the level of expenditure and salvage receipts received.

- 16.3 Animal owners are paid by the Welsh Government for cattle slaughtered because of TB as set out in The Tuberculosis (Wales) Order 2010 (as amended) (The TB Order). This payment is currently calculated based on the market value of each individual animal. A number of alternative payment options were outlined in the consultation.

- 16.4 The Minister has committed to review the compensation regime which will include further consultation. Any new regime would need to receive Senedd approval. It is estimated a full review will take up to 24 months to complete before any financial savings may be realised. This review will commence once resources allow.

- 16.5 [Development and implementation of post-Brexit food and drink strategy, including the Community Food Strategy.](#)

- 16.6 Welsh Government’s strategic vision for the food and drink manufacturing and processing industry was published on 29 November 2021 and is to create a strong and vibrant industry with a global reputation for excellence, having one of the most environmentally and socially responsible supply chains in the world. Its 10 point action plan focuses on business growth and improving productivity; develop international trade in

overseas markets and to achieve higher levels of environmental and social sustainability and promotion of Food and Drink Wales in Wales, the UK and globally.

16.7 The approach builds on the work achieved over the last decade, recognises the disruption of EU-Exit and Covid-19, and is predicated on a partnership with businesses and stakeholders in which Welsh Government support will increasingly be conditional on shared values and actions. The value of food and drink exports from Wales increased in 2020 including to our biggest market, to the EU. However, volume of exports to the EU declined and small businesses and some sectors (seafood) continue to find trade difficult.

16.8 The industry operates within a context of socio-economic issues such as the heightened concern to address the environmental and health impacts of food production and diet, a changed UK trading environment, the urgent need to decarbonise and minimise waste and environmental impact. With businesses located across Wales, the food and drink industry is part of a foundational economy and integral to supply chains which connect, in some important sectors, to Welsh farming and fishing, and to retail, wholesale and the service sector where the industry's product branding (GIs, sustainability credentials) offer is increasingly valued by consumers and is a USP for tourism.

16.9 Welsh Government intervention will focus on ten main areas:

- basing decisions about policy and support on evidence, using research, evaluation and market insight to inform and guide, and assisting businesses and stakeholders to develop knowledge capability to help themselves.
- growing stronger businesses which can sustainably grow and have market leading productivity.
- building networks, driving collaboration through networks, clusters, integrated with technical support, to spread best practice and find opportunities to add value.
- tackling systemic weaknesses such as supporting small businesses to become medium, and medium to become large, improving the infrastructure of business premises, aggregators and wholesalers and connecting these to create strong, local networks and supply chains.
- Supporting innovation and providing strong technical back-up, building on the success of Food Innovation Wales/Project Helix.
- finding and exploiting opportunities in the UK market, furthering our Retail Plan, making inroads into the foodservice and wholesale sectors, and seizing the opportunities of growing Direct to Consumer sales channels.
- increasing our exports and using our products and businesses to showcase Wales, with Blas Cymru our flagship event to champion the industry to a UK and international audience.
- build a strong brand, focussing on products and businesses which

represent the best of Wales, expanding our Protected Food Names family.

- attracting inward investment into businesses and our food infrastructure.
- ensuring our support is leveraged for driving the Welsh Government's core priorities such as sustainability, prosperous communities, decarbonisation, and fair work.

16.10 I was disappointed that the UK Government chose to net off outstanding EU funding as part of the last spending review. This, combined with the failure to recognise the previous Pillar Transfer, left Wales £243m short of the funding level we would have received had we remained in the EU. As negotiations on the next spending review begin next year (timing is unclear), we will pursue at least, the same total level of funding for farmers and land managers from the UK Government as we will receive in 2024/25. Recognising the inflationary pressures which have impacted the farming industry, as it has impacted other sectors and everyone in Wales, we will expect the UK Government to provide an inflationary uplift in funding.

17.0 Legislation

18.0 The process of transition to the new agricultural scheme such as piloting, administrative arrangements and research and development;

18.1 I have launched the next phase of our consultation on our proposals for future farm support. The Sustainable Farming Scheme has been developed with farmers and is designed to be an integrated long-term approach to support the resilience of our agricultural industry in Wales. It will be introduced in 2025.

18.2 The schemes we are supporting in 2024/25 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, with benefits for food security in Wales and globally.

18.3 New functionality and mechanisms to monitor and evaluate our new agricultural scheme are also being considered, including carbon audit, habitat reviews using earth observation.

18.4 An RPW change programme has been established to review and build upon the administrative arrangements that were used for the delivery of previous CAP programmes. This work will be taken forward once again with farming stakeholders to ensure a fit for purpose and easy to follow online system is made available for farmers to access the new agricultural scheme.

18.5 RPW are researching and developing a new joined up customer experience model for accessing the scheme and wider Welsh Government

services and support as well as new in-field technologies, supported by Earth Observation and Satellite Imagery, to enhance the data capture and verification requirements of the new scheme.

The Water Resources (Control of Agricultural Pollution) (Wales) Regulations 2021 (CoAP Regulations) will be fully implemented by 1 January 2025. Through a service level agreement with Natural Resources Wales (NRW), the Welsh Government has committed £2.55m to support NRW's enforcement of the Regulations. The funding is split, with £1m committed in financial year 2023-2024 and £1.55 in 2024-25. The level of funding increases in year 2, following recruitment of staff during year 1.

18.6 The Welsh Marine and Fisheries Scheme is available for applications via targeted funding rounds alongside further investment through the Capacity Building in Welsh Coastal Communities initiative. These interventions will benefit the Welsh marine, fisheries and aquaculture sectors.

19.0 Key policies included in the new Animal Welfare Plan for Wales 2021-26;

19.1 The implementation of the plan is supported and monitored by the Wales Animal Health and Welfare Framework Group. The eight publically appointed members bring a wealth of experience and knowledge and are drawn from a broad range of sectors and areas of expertise.

19.2 The current 2022-2024 implementation plan, along with the Animal Welfare Plan for Wales 2021-2026, addresses several key PfG commitments in addition to ongoing Wales-based policy work and UK/GB policy collaborations:

- Develop a national model for regulation of animal welfare, introducing registration for animal welfare establishments, commercial breeders for pets or for shooting, and animal exhibits;
- Improve the qualifications for animal welfare inspectors to raise their professional status;
- Require CCTV in all slaughterhouses; and
- Restrict use of cages for farmed animals.

20.0 Livestock identification and movement policy

20.1 Following the consultation on Changes to Livestock Identification, Registration and Movement Reporting held in 2021, we are planning to implement mandatory legislative changes from 2024 to include Bovine EID tags, whole movement reporting, 24-hour reporting by CPRC's and removal of paper registrations for cattle.

20.2 EIDCymru is being developed into the Welsh multispecies traceability system and service and we anticipate cattle registration and movement

reporting to be launched on EIDCymru in Autumn/Winter 2023. From launch we will also enable voluntary changes to include recording of journey information, pre-movement reporting, online holding registers and circular show moves.

20.3 Discussions on tag specifications for Bovine EID are ongoing and we will be running a pilot on Bovine EID to gather and compare data from LF and UHF tags and readers. This will help us understand the full extent of the impacts each tag type and technology will have on keepers, markets, collection centres and abattoirs in Wales.

20.4 When I have agreed the final tag specifications for Bovine EID, I will update the Senedd and share the provisional implementation date for Bovine EID.

Annex A

Budget Structure (by SPA and BEL)

21.0 Agriculture, Food & Fisheries – FUNDING OF ACTIONS

The detailed breakdown of Actions by BEL activity is explained in the following sections.

Develop and deliver overarching policy and programmes on Agriculture, Food and Marine

Develop and deliver overarching policy and programmes on Agriculture, Food and Marine BEL's REVENUE	2023-24 Final Budget restated £'000	2024-25 Indicative Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Agriculture Strategy (2829)	650	650	(150)	-23%	500	(150)	-23%
Local Authority Framework Funding (2831)	200	200	(100)	-50%	100	(100)	-50%
Agriculture Customer Engagement (2860)	400	400	(50)	-13%	350	(50)	-13%
County Parish Holdings Project (2861)	500	500	0	0%	500	0	0%
EID Cymru (2862)	2,639	2,639	0	0%	2,639	0	0%
Livestock Identification (2863)	1,647	1,647	0	0%	1,647	0	0%
Technical Advice Services (2864)	358	358	0	0%	358	0	0%
Commons Act (2866)	433	433	0	0%	433	0	0%
Total Revenue	6,827	6,827	(300)	-4%	6,527	(300)	-4%

Develop and deliver overarching policy and programmes on Agriculture, Food and Marine BEL's REVENUE	2023-24 Final Budget restated £'000	2024-25 Indicative Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Agriculture Strategy (2829)	650	650	(150)	-23%	500	(150)	-23%
Local Authority Framework Funding (2831)	200	200	(100)	-50%	100	(100)	-50%
Agriculture Customer Engagement (2860)	400	400	(50)	-13%	350	(50)	-13%
County Parish Holdings Project (2861)	500	500	0	0%	500	0	0%
EID Cymru (2862)	2,639	2,639	0	0%	2,639	0	0%
Livestock Identification (2863)	1,647	1,647	0	0%	1,647	0	0%
Technical Advice Services (2864)	358	358	0	0%	358	0	0%
Commons Act (2866)	433	433	0	0%	433	0	0%
Total Revenue	6,827	6,827	(300)	-4%	6,527	(300)	-4%

Develop and deliver overarching policy and programmes on Agriculture, Food and Marine BEL's CAPITAL	2023-24 Final Budget restated £'000	2024-25 Indicative Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
EID Cymru (2862)	0	0	0	0%	0	0	0%
Livestock Identification (2863)	1,000	1,000	0	0%	1,000	0	0%
Commons Act (2866)	0	0	0	0%	0	0	0%
Total CAPITAL	1,000	1,000	0	0%	1,000	0	0%

The Technical Advice Services BEL (2864) supports the delivery of a range of statutory duties, policy development and support services in relation to agriculture and the environment including, but not limited to, TB valuations, Environmental Impact Assessment (EIA) Agriculture Regulations, Agricultural Land Classification, plant health, Agricultural Land Tribunals, Agricultural Wages, the Agricultural Advisory Panel for Wales and the Control of Agricultural Pollution Regulations.

BEL 2831 Funding is allocated to Welsh Local Authorities via the Heads of Trading Standards to deliver targeted and additional animal health and welfare enforcement activities via a local authority agreed Partnership Development Plan.

BEL 2860 This budget is the key mechanism for communicating and engaging with farming customers and the wider industry on Welsh Government administered schemes, policies and initiatives including the production of hard-copy updates to all BPS claimants and supporting farmers to become compliant with the Control of Agri Pollution Regulations.

The budget covers direct funding to the Royal Welsh Agricultural Society as well as other show Societies across Wales.

BEL 2861 - The allocation funds the CPH Project, which is rationalising and cleansing the CPH landscape in Wales. The allocated budget (£200,000) will ensure RPW continue to administer and develop the current IT platform with the other £300,000 being needed to support case work and other costs associated with the changing of CPH numbers for example amending APHA records

BEL 2862 EIDCymru is the sheep movement database for Welsh farmers, which meets the standards as set out in European Council Regulation 21/2004 where there is a requirement for member states to establish the basis for a European system to identify and record movements of sheep, goats and deer. Non-compliance with these regulations could lead to infraction and impact on future post EU exit trade agreements. EIDCymru provides increased traceability, helping to mitigate against the significant expense to both government and industry of an animal sheep disease outbreak.

CAP administration and making Payments in accordance with EU and WAG rules

CAP administration and making Payments in accordance with EU and WAG rules BEL's REVENUE	2023-24 Final Budget restated £'000	2024-25 Indicative Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Agriculture EU Pillar 1 Direct Payments (2787)	238,000	238,000	0	0%	238,000	0	0%
Single Payment Scheme Administration (2790)	9,194	9,194	(5,500)	-60%	3,694	(5,500)	-60%
Total Revenue	247,194	247,194	(5,500)	-2%	241,694	(5,500)	-2%

CAP Administration and making payments according to EU and WG rules BEL's CAPITAL	2023-24 Final Budget restated £'000	2024-25 Indicative Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Common Agriculture Policy IT (2789)	6,000	6,000	0	0%	6,000	0	0%
Total CAPITAL	6,000	6,000	0	0%	6,000	0	0%

The Basic Payment Scheme (BPS) is 100% domestic funded Direct Aid, which has been retained from the Common Agricultural Policy (CAP) under retained EU law. Payments are made directly to farmers who use the money to meet their business and other expenses. Payments are made in October (advance) and December (balances). Direct Payments for Farmers (Legislative Continuity) Act 2020 (c.2),

BEL 2790 RPW ICT systems comprises three main components:

- **CAPIT:** A rules based application validation and payment system.
- **Scheme Editor:** A Geographical Information System (GIS) based Land Parcel Identification System (LPIS) used to map all land farmed and claimed in Wales either for BPS or Glastir
- **RPW Online:** An online portal for farmers (claimants) to apply and claim for various CAP and RDP schemes. This system supports a 100% digital service within RPW.

All three systems are integral to maintaining efficient delivery of all rural support schemes and it is imperative they continue to operate and be developed to:

- Maintain a robust audit trail and records retention for all EU payments.
- Deliver the suite of domestic support schemes in advance of the SFS.
- Support the delivery of SFS in 2025 and transition from BPS thereafter.

Rural Investment Schemes

Rural Economic and Sustainability Programme BEL's REVENUE	2023-24 Final Budget restated £'000	2024-25 Indicative Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
RIS (2833)	70,272	109,454	39,182	56%	46,139	(63,315)	-58%
Total Revenue	70,272	109,454	39,182	56%	46,139	- 63,315	-58%

Rural Economic and Sustainability Programme BEL's CAPITAL	2023-24 Final Budget restated £'000	2024-25 Indicative Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Rural Investment Schemes (2833)	20,500	30,000	9,500	46%	53,000	23,000	77%
Total CAPITAL	20,500	30,000	9,500	46%	53,000	23,000	77%

The purpose of this BEL is to support the development of rural schemes in 2024/25. We have been developing and implementing transitional schemes for farmers and land managers from 2021 to 2025 through EU replacement funding, ahead of the introduction of the Sustainable Farming Scheme. The funding will provide support to develop this longer term programme. The outcomes and performance measures for schemes being developed through EU replacement funding will be developed at programme and scheme level.

Welsh Government Rural Communities: Delivering the programmes within the Rural Development Plan 2014-20

Welsh Government Rural Communities: Delivering the programmes within the Rural Development Plan 2014-20 BEL's REVENUE	2023-24 Final Budget restated £'000	2024-25 Indicative Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Rural Development Plan 2014-20 (2949)	17,182	-	(17,182)	-100%	0	0	
Total Revenue	17,182	-	(17,182)	-100%	0	0	

Welsh Government Rural Communities: Delivering the programmes within the Rural Development Plan 2014-20 BEL's CAPITAL	2023-24 Final Budget restated £'000	2024-25 Indicative Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Rural Development Plan 2014-20 (2949)	9,500	0	(9,500)	-100%	0	0	
Total CAPITAL	9,500	-	(9,500)	-100%	0	0	

BEL 2949 - The Welsh Government Rural Communities – Rural Development Programme 2014-2020 is a 7 year investment programme supporting a wide range of activities which is now closed.

Evidence based development for Rural Affairs

Evidence based development for Rural Affairs BEL's REVENUE	2023-24 Final Budget restated £'000	2024-25 Indicative Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Research & Evaluation (2240)	520	520	0	0%	520	0	0%
Total Revenue	520	520	0	0%	520	0	0%

This BEL funds important research and evaluation activity in relation to Welsh agriculture. This comprises two strands:

- 1) The Farm Business Survey (FBS) is an annual survey of farm businesses in Wales. It is conducted with the primary purpose of collecting detailed physical and financial data about the economic position of farm businesses throughout Wales. The survey is the primary source of information on the economics of farm businesses. The survey provides evidence on the levels of income in different agricultural sectors in Wales, financial performance, and farms' financial situation (assets, liabilities, net worth). For example, the Farm Business Survey is the source of the commonly quoted figure: on average, 80% of Welsh farmers' income derives from the Basic Farm Payment.
- 2) The FAPRI-UK economic modelling research project involves the development and maintenance of an economic modelling system which captures the dynamic inter-relationships among the variables affecting supply and demand in the main agricultural sectors of Wales, England, Scotland and Northern Ireland. The FAPRI-UK research project will provide a key source of evidence on domestic agriculture policy.

Fisheries and aquaculture including the enforcement of Welsh Fisheries

Fisheries and aquaculture including the enforcement of Welsh Fisheries BEL's REVENUE	2023-24 Final Budget restated £'000	2024-25 Indicative Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Fisheries Schemes (2830)	565	565	0	0%	-	(565)	-100%
Fisheries (2870)	4,605	4,605	0	0%	3,605	(1,000)	-22%
Total Revenue	5,170	5,170	0	0%	3,605	(1,565)	-30%

.

BEL 2870 covers funding for the following;

- **Fisheries Science and Evidence** – Delivery of a range of statutory and non-statutory fisheries science commitments, underpinning fisheries management of fisheries and policy development.
- **Welsh Marine and Fisheries Scheme** – This is the EMFF replacement scheme and is the vehicle for investment in the fisheries and aquaculture sectors
- **Fisheries Digital Systems** – Digital fisheries management systems include a range of IT systems for catch recording, vessel monitoring, recording fisheries and marine licence inspections, fish sales records and health and safety systems for enforcement officers.

- **Domestic Fisheries Policy** - We will continue to meet statutory obligations to manage permitted fisheries and deliver Fisheries Management Plans. This work will ensure our fisheries are sustainable by protecting the environment whilst, at the same time, maximising the economic and social benefits of fisheries to Wales.
- **Marine & Fisheries Trade** – Including core funding for Welsh Fisherman’s Association (WFA)
- **Control & Enforcement** - Covers all operational costs around Control and Enforcement, including Fisheries Patrol Vessels costs, such as maintenance, fuel and insurance.

Developing and Marketing Welsh Food and Drink

Developing and Marketing Welsh Food and Drink BEL's REVENUE	2023-24 Final Budget restated £'000	2024-25 Indicative Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Promoting Welsh Food and Industry Development (2970)	7,050	7,050	0	0%	4,790	(2,260)	-32%
Total Revenue	7,050	7,050	0	0%	4,790	(2,260)	-32%

BEL 2970 funds programmes across the food spectrum, leveraging financial resources from wider Welsh Government including RIS, EFF, ERF and a number of smaller initiatives as well as external funding sources such as Growth Deals;

- support business survival and resilience post Covid-19 and EU exit by leveraging funds to support food sector growth, working with retailers to encourage increased Welsh food and drink product listings, helping to secure an increased online presence of Welsh producers and promotion activities to increase the Welsh food manufacturing's share of supply into the food service sector, tourism and the public sector; and
- promote the Welsh food industry through international events and networks designed to increase inward investment.

Protect and Improve Animal Health & Welfare – FUNDING OF ACTIONS

Protect and Improve Animal Health & Welfare	2022-23 New Plans Draft Budget £'000	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Revenue	41,499	41,499	0	0%	41,499	0	0%
TOTAL	41,499	41,499	0	0%	41,499	0	0%

The detailed breakdown of Actions by BEL activity is explained in the following sections.

Support and Delivery of the Animal Health and Welfare programme / strategy

Support and Delivery of the Animal Health and Welfare programme / strategy BEL's REVENUE	2022-23 New Plans Draft Budget £'000	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Animal Health & Welfare Framework (2270)	1,108	1,108	0	0%	1,108	0	0%
Total Revenue	1,108	1,108	0	0%	1,108	0	0%

This budget covers a range of Government expenditure on animal health, welfare, disease prevention and control as well as surveillance and proactive management/contingency planning for exotic diseases. It includes on-going support to the Wales Animal Health and Welfare Framework Group and the Antimicrobial Resistance (AMR) in Animals and the Environment Delivery Group. This enables us to work in partnership with industry to raise standards of animal health and welfare, promote the responsible use of antibiotics and take effective action to manage animal disease outbreaks.

Management and delivery of TB Eradication and other Endemic Diseases

Management and delivery of TB Eradication and other Endemic Diseases BEL's REVENUE	2022-23 New Plans Draft Budget £'000	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Animal and Plant Health Agency (2271)	18,281	18,281	0	0%	18,281	0	0%
TB Slaughter Payments Costs & Receipts (2272)	13,810	13,810	0	0%	13,810	0	0%
TB Eradication (2273)	8,300	8,300	0	0%	8,300	0	0%
Total Revenue	40,391	40,391	0	0%	40,391	0	0%

This funding supports the delivery of the statutory services and activities, the majority of which by, Animal and Plant Health Agency (APHA) services in Wales. The funding helps safeguard animal health and welfare as well as public health, rural livelihoods and trade and enhances food security through research, surveillance and inspection.

Funding is also provided for the statutory work undertaken by Food Standards Agency and funding to cover statutory TSE compensation payments should need arise.

The large proportion of APHA activity implements statutory requirements and Welsh Government policy relating to the TB Eradication Programme (in addition to BEL 2273) as well as applying controls to ensure the protection of human health and the human food chain.

The budget is in place to mitigate:

- Risk arising in the event of an exotic animal disease outbreak has wider repercussions given that the Welsh Government has contingent (financial) liability for unbudgeted costs in those circumstances e.g. cost to Government in Wales was estimated at around £100m in the 2001 Foot and Mouth Disease Outbreak when it was a non-devolved issue. In today's terms that cost could be significantly more without estimating damage to industry communities, trade and tourism in Wales where there would be a severe detrimental impact to incomes.
- The failure to demonstrate effective control on animal disease could undermine future negotiations on a single market where requirements for having in place animal disease controls at least equivalent to other Members States may be a position heavily emphasised as part of any trade agreement with the European Community.

Reductions in levels of animal disease control will impact on current and future UK trade negotiations as the UK will be expected to be able to demonstrate levels of control at least equivalent to European Member States.

BEL 2272 is a 'demand led' budget and the Welsh Government has a statutory duty to pay TB compensation. The amount of animals removed and therefore the pressure on this budget is inextricably linked to the progress of TB Eradication and the TB Eradication Programme budget (BEL 2273). Any interruption to eradication policies may result in disease spread, which in turn is likely to result in increased TB Compensation spend. If overspends occur there would be a consequence on wider OCVO and WG budgets, as these may also be called on to offset any overspend as seen in previous years.

BEL 2273 This budget covers a statutory commitment to the UK TB Eradication Plan. This BEL supplements the activity undertaken by our delivery partner The Animal and Plant Health Agency (APHA) to deliver TB policies, including annual testing, and initiatives and projects such as Cymorth TB and epidemiological work to help underpin the evidence and approach to the TB Eradication Programme. This work is partly funded by this BEL and also by BEL 2271 (Animal Health and Welfare Delivery and Payments).

Rural Affairs Monitoring and EU Exit Strategy - FUNDING OF ACTIONS

Rural Affairs Monitoring and EU Exit Strategy	2022-23 New Plans Draft Budget £'000	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Strategy & Government Relations (2816)	3,389	3,389	0	0%	2,639	(750)	-22%
TOTAL	3,389	3,389	0	0%	2,639	(750)	-22%

The detailed breakdown of Actions by BEL activity is explained in the following sections.

This BEL supports the Strategic Evidence, Borders and Intergovernmental Relations Unit (SEBIR - formerly ERA EU Exit and Strategy Unit). The division was created to coordinate, support and drive our exit from the EU and transition activities. These developments are still evolving and require continued resource and effort to ensure effective engagement and influence across a number of UK Government departments. The division works across Climate Change and Rural Affairs portfolios to facilitate, coordinate and deliver strategic evidence, modelling and their practical applications to support the portfolios' wider policy making. This includes the management of the long-term ERAMMP contract, the development of Earth Observation technologies, a focused Environmental Evidence Programme and our academic engagement activities all supporting policy development, delivery and evaluation of Programme for Government (PfG) Commitments. With the completion of a comprehensive trade agreement with the EU the division's focus is to support the operationalisation of new cross-cutting functions and structures arising from leaving the EU and the management of intergovernmental relationships for the portfolio, with the primary responsibility for developing, delivering, managing and communicating policies resting with each of the respective policy teams.

Environment, Wildlife Management and Community Green Spaces - FUNDING OF ACTIONS

Environment, Wildlife Management and Community Green Spaces BEL's REVENUE	2022-23 New Plans Draft Budget £'000	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
New National Park BEL 2803	700	700	0	0%	700	0	0%
Plant and Wildlife BEL 2802	886	886	1	100%	886	1	100%
Total Revenue	700	700	0	0%	700	0	0%

Plant and Wildlife Protection and Regulation - BEL 2802

This BEL supports work on the Plant Health Policy and legislation including scientific research and surveillance activity to identify and inform a response to Wales-specific risks and to communicate PH risks. This work area also includes policy development, legislation and regulation of plant protection products and biocides in Wales. The BEL also funds activity to control spread of invasive non-native species, including contributing to the GB non-native species inspectorate. The BEL also includes funding for protection of certain wildlife, including badger licensing and investigation of suspected wildlife poisoning incidents and the policy work behind the ban on snares and glue traps in 2023 and the Wales Rural & Wildlife Police Crime Coordinator.

The BEL together with BEL2825 in the CC MEG also provides for Agricultural EIA proactive screening requests and investigation of potential breaches of the regulation, enforcement and remediation where damage to important unimproved habitat on agricultural land has occurred. The BEL also covers the Plant Varieties and Seeds policies, including costs of maintaining national lists and testing of new varieties of plant. This leads to a need for policy development on new Genetic Technologies in response to legislative changes by UK Government which increasingly impacts Wales. These technologies and related policies are cross cutting, also impacting animal health and welfare and food and animal feed including novel foods (lab grown proteins) but plants are among the first organisms which may result from regulatory change in England. It also provides for training, communications and other incidental expenses including those related to tribunals and litigation within the policy areas covered by LNFD Plant Health and Environmental Protection Branch.

New National Park BEL 2803

Designation of a new National Park to cover the Clwydian Range and Dee Valley is the responsibility of the Minister for Rural Affairs, North Wales & Trefnydd.

A specific budget allocation in 2024-25 will continue the delivery of the Programme for Government commitment to designate a new National Park to cover the Clwydian Range and Dee Valley.

Designating a National Park is a significant undertaking and the majority of this funding enables Natural Resources Wales, our statutory advisors in this area, to undertake the necessary preparatory formal programme. NRW has completed work on the preparation of an updated and streamlined process for assessing the case for new landscape designations in Wales within the context of Welsh legislation. Alongside this, NRW is developing the evidence base required to inform the assessment of the case for the new National Park. NRW has also begun an engagement and consultation process to ensure all stakeholders are kept informed and have a voice during the process. This funding ensures NRW takes the Designation work on as effectively and robustly as possible, with the necessary expertise and capacity. 6 new posts have been recruited into a new Programme team.

The funding also provides additional revenue to the Clwydian Range and Dee Valley AONB to build capacity and resilience while the designation work is taken forward.

Summary

The RA MEG Draft Budget BEL table for 2024-25 is presented to the Committee for consideration.

Lesley Griffiths
Minister for Rural Affairs, North Wales and Trefnydd

Document is Restricted

Agenda Item 5

Economy, Trade and Rural Affairs Committee

Date: 18 January 2024

Time: 12:10 – 13:40

Title: Evidence paper on Draft Budget 2024-25 – Economy Main Expenditure Group (MEG)

a) Introduction

- a.1. This paper provides information on the Economy budget proposals as outlined in the 2024-25 Draft Budget published on 19 December. It also provides an update on specific areas of interest to the Committee. The Culture, Arts and Sport activity is being scrutinised by the Culture, Communications, Welsh Language, Sport and International Relations Committee on 17 January.
- a.2. As part of our plan for economic growth, we want to strengthen and build on our progress with the unique partnerships that bring together businesses, local authorities, trades unions and academia. We as a nation balance our aspirations with the financial realities, we prioritise investments that are sustainable and offer real growth, fair work, and tangible benefits for our communities.

In November 2023 I launched a refresh of our Economic Mission. We need to respond to the challenges of global disruptions, inflation, interest rates and energy costs, and our new Economic Mission sets out four priorities that will shape how Wales can respond to uncertainty and exploit new opportunities:

- **A just transition and Green Prosperity** - Realising the enormous Net Zero economic opportunities and engaging with businesses and people to move towards a just transition.
- **A platform for young people, fair work, skills and success** - Backing young people to achieve the ambitious futures in Wales. Prioritising their skills and creativity.
- **Stronger partnerships for stronger regions and our everyday economy** - Working with regions to agree a smaller set of priorities for growth, local jobs and major investment. New joint working to boost the case for UK investment in projects that crowd in investment and support fair, unionised jobs in areas including Nuclear, Offshore Wind and Tech.
- **Investing for Growth** - We will work in partnership to focus on our recognised strengths to boost investment and growth that prizes fair work and long-termism. Our new mission-based Innovation Strategy will target new investment in a post EU landscape, supporting commercialisation, research and development and entrepreneurship.

These priorities will shape how we consider investment, policies and programmes across the economy. The budget proposals for the Economy portfolio are aligned to support this new strategy.

We have committed to undertake a series of deep dives in 2024, which will aim to look at opportunities to deliver against specific themes across the priorities, taking a whole government and partnership approach.

The budget proposals for the Economy portfolio are aligned to support this new strategy.

1. Transparency of budget presentation

1.1. The table below provides an overview of indicative plans for the Economy MEG published in draft Budget 2024-25

Economy MEG – Summary	2023-24 Final Budget Feb 2023 £000's	2024-25 Indicative Final Budget Feb 2023 £000's	Revisions to the 2024-25 Indicative Allocations	2024-25 Revised Baseline £000's	2024-25 Other Changes £000's	2024-25 Draft Budget December 2023 £000's
Resource	466,369	482,434	-49,932	432,502	6,400	438,902
Capital	79,263	100,492	0	100,492	2,000	102,492
Total Resource & Capital	545,632	582,926	-49,932	532,994	8,400	541,393
Resource AME	58,525	58,525	0	58,525	0	58,525
Capital AME	0	0	0	0	0	0
Total AME	58,525	58,525	0	58,525	0	58,525
Total – Economy MEG	604,157	641,451	-49,932	591,519	8,400	599,919

2. Resource

2.1. Welsh Government have reshaped our budget to provide extra funding and protection for the services which matter most to you. We have done so in line with our priorities:

- Protect core, frontline public services as far as possible.
- Deliver the greatest benefit to households which are hardest hit.
- Prioritise jobs, wherever possible.
- Work in partnership with other public sector bodies to face this financial storm together.
- Refocus funding away from non-devolved areas, which the UK Government should be funding.

2.2. We have re-shaped the indicative spending allocations within our budget to provide extra funding and protection for the services which matter most to people and communities across Wales – the NHS and the core local government settlement, which funds schools, social services and social care and other everyday services.

2.3. We're protecting the core local government settlement, which funds schools, social services and social care, bin collections and local leisure services. We're providing the 3.1% increase we promised last year.

- 2.4. And we're creating a new £20m capital fund to help small businesses in the retail, leisure and tourism sectors. Retail, hospitality and leisure businesses across Wales will also receive a fifth successive year of support to pay their non-domestic rates bill.
- 2.5. As a result of the reshaping of the Welsh Government budgets, the Resource budget for the Economy MEG has decreased by £43.532m in 2024-25 when compared to the 2024-25 indicative final budget baseline. An allocation of £6.4m has been received from central reserves for the Borders programme, which is offset by a return to reserves of £49.932m for the Economy MEG's contribution or reprioritisation to meet wider pressures.
- 2.6. These changes for budget lines relevant to this committee are summarised in **Annex A** and **Annex B**.

3. Capital

- 3.1. The Capital budget for the Economy MEG has increased by £2m in 2024-25 when compared to the 2024-25 indicative final budget baseline. The increase is due to an allocation for capital financial transaction for the Cadence project.
- 3.2. The Economy capital budget stands at £102.492m for financial year 2024-25.

4. Annually Managed Expenditure – AME

- 4.1. The AME budget of £58.525m remains unchanged and provides cover for charges that are outside the control of the portfolio, such as impairments on the property portfolio, pension valuation fluctuations for National Museum of Wales, the National Library of Wales, Sport Wales and Careers Wales. This budget is agreed with the Treasury each year and is fully funded. The AME draft Budget figures reflects the forecasts submitted to the Office for Budget Responsibility in September 2023.

5. Commentary on Actions & Detail of Budget Expenditure Line (BEL) Allocations

- 5.1. A breakdown of changes to the Economy MEG by spending area, Action and BEL for 2024-25 is provided at **Annex A**. A commentary explaining the changes to each Action within the MEG is also provided at **Annex B**. A transparent narrative explanation has been provided to explain increases and reductions, where not covered in the evidence paper. This only covers the budgets that are been securitised as part of this committee.

6. Monitoring of budgets

- 6.1. All budgets continue to be monitored and challenged monthly during the financial year 2023-24, to consider the latest forecasts and budget movements as necessary. I receive regular financial updates on the forecasts for my portfolio to ensure that budgets remain on track to deliver my priorities. We maintain very close monitoring to ensure funding is being invested where best needed whilst supporting our priorities – in the right place, at the right time.
- 6.2. A significant element of activity undertaken under the Economy MEG is subject to external factors ranging from macroeconomics to demand and even the weather. Our services such as Business Wales must adapt to changes in the economy while schemes such as our delivery within the Employment and Skills programmes, particularly on the context of annual budget planning, can be impacted by a change in demand for the programme. This means effective planning and reprioritisation is essential. This of course

means expenditure can be affected by factors outside Welsh Government control, but plans are monitored closely by my officials to agree options and proposals for corrective action to seek to manage expenditure at budget levels.

7. Evidence base / Evaluation and reviews

- 7.1. Evidence from a wide range of sources underpins our financial decisions such as published research, engagement with stakeholders, previous policy evaluations and statistics. This is embedded in decision making with some examples as follows.
- 7.2. An evaluation of the Trio Sci programme will be received shortly, and the findings will help to shape a new STEM enrichment programme in readiness for launching in April 2024. The objective of the evaluation will explore:
- Assessment of science capital baseline and change through time, gender, control group, regional subsets, engagement and uptake via metrics identified at start;
 - Participant uptake of GCSE science subjects from a mandatory single science uptake up to a voluntary maximum choice of triple science subjects' uptake. And vocational career building qualification uptake;
 - Determine whether the concept of Science Capital has been positively embedded within the participant cohort as a result of exposure to a sustained strategic STEM enrichment intervention;
 - Determine and shape future recommendations on further interventions as required in line with evidence.
- 7.3. We have published what actions we have taken in response to phase one of the YPG National Conversation (a series of surveys and focus groups with 16-24 year olds about their education and employment experiences, undertaken in three phases between 2022 - 2023) on our website. Actions include extending the eligible age range to 19 years old for enrolling onto the Jobs Growth Wales+ programme and doubling the rate of the Training Allowance to £60; a new free meal allowance; and temporarily allowing 100% of travel costs to be claimed (if undertaking training). The reports for phases two and three will be published in the new year.
- 7.4. Evaluations of our community employability programmes have been conducted during the current financial year. Delivery of the Communities for Work and Parents, Childcare and Employment programmes, which were supported by ESF, ended on 31 March 2023 but Communities for Work+ (CfW+) has continued and lessons learned from the evaluations have been reflected in its delivery. Through intensive mentoring and training, CfW+ targets and supports the most vulnerable in our communities, including young people, disabled people, Black, Asian and minority ethnic individuals, older workers, parents and carers. An initial evaluation has just been completed on the JGW+ programme which shows that 89% of young people said that the support given by the programme had met or exceeded expectations, had supported their career development and that their individual needs had been considered resulting in tailored training and development activities. 97% of young people stated the JGW+ programme had improved their work prospects with 91% of young people stating the programme had improved their future pay prospects.
- 7.5. A range of intelligence is produced by Employability and Skills Division to help guide decisions within Employability and Skills, the wider Welsh Government, and for external stakeholders. These include the Employer Skills Survey, which saw headline findings published in September 2023, a Office for National Statistics (ONS) report with additional

Wales figures released in December 2023, and will be followed by a full suite of Wales reporting in early 2024. This gives detailed information on the skills deficiencies employers face and how they tackle those deficiencies. A rapid evidence review on supporting young people who are not in education, employment, or training to achieve their goals will be published in January 2024, providing evidence to support policy development, particularly of the YPG. A Wales summary of the Skills Imperative 2035 employment projections has been produced, providing a view on where data suggests the greatest labour market demands will be going forward.

7.6. The SMART programmes of support were subject to a half-term independent review, which were published in September 2020. The review concluded the progress and performance of SMART Cymru against the indicator targets was favourable. The majority of SMART Cymru beneficiaries interviewed were positive about the benefits of the SMART Cymru support that they have received (85%). Regarding the value of funding received (90%), the intervention rate applied (66%) and the flexibility that the funding support afforded (90%) beneficiaries signified a high level of satisfaction. The Final review of the SMART Suite of operations commenced in December 2022, and will be published in March 2024.

7.7. Cardiff Business School has undertaken an impact study of the Business Wales service:

Business Wales core and growth (levels 1-4):

- Up to May 2021, total programme spend is estimated to be £37.1m.
- 8,396 enterprises have received non-financial support; 4,610 new enterprises supported; and 12,280 individuals received support.
- The service has generated £92m of business investment connected to projected turnover of £7.76bn.
- Additional employment created/activity could be associated with an estimated £380m GVA per annum.
- Each £1 invested can be linked to around £10 of net GVA uplift per annum.
- Estimated that 7,234 of the 14,471 jobs created i.e. around half of the employment outcomes might have occurred in the absence of the Business Wales intervention. The net (additional) jobs are estimated to be connected with around £380m of GVA.
- The cost per job created is estimated to be £2,564. Once allowance is made for additionality, the cost per net job created is £5,129.
- In total the activity under Business Wales core and growth programmes could be connected with £646m of GVA.
- Four-year survivability rate is 67% compared to 33% for a matched sample of non-assisted businesses.

Business Wales Accelerated Growth (AGP) programme:

- Up to June 2021, overall budget for AGP was £26.9m with around 85% of funds committed.
- Since 2015/16, AGP supported around £377m of investment in enterprise, 9,755 jobs, and £266m of exports.
- Total gross 9,755 jobs created translates to around 5,332 net jobs i.e., around 45% of the employment outcomes might have occurred in the absence of the Business Wales AGP intervention. These net jobs are estimated to be connected with around £410m of GVA.

- Cost per gross job created estimated to be £2,329. Once allowance is made for additionality it is estimated that the net cost per job created is £4,261.
- Additional employment created/activity estimated £410m GVA per annum.
- Each £1 invested in AGP can be linked to around £18 of net GVA uplift per annum.
- £377m of business investment connected to projected turnover of £5.99bn.
- Four-year survivability rate for AGP assisted businesses is 77.4% compared to 32.7% for a matched sample of non-assisted businesses.

8. Impact of Cost of living on budget allocations and programmes

- 8.1. The cost of living crisis has resulted from fast-paced, profound, and inflation-driven macros and micro economic development, the effects of which have been felt by individuals, households and communities, especially those on low incomes since late 2021.
- 8.2. 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.
- 8.3. In the 2022/23 contract year, in response to the cost-of-living crisis, a 5% increase to framework costs was implemented – a measure which was extremely well received by the network. In 2023/24 a further 5% increase to framework costs, to acknowledge the ongoing cost of living crisis, has been implemented in line with similar increases within the post-16 sector. This applies to apprenticeship delivery between Levels 2 and 5 from the beginning of the 2023/24 contract year (1 August 2023). This will help provide stability to the network enabling it to be more resilient by supporting staff retention and assisting its ability to deliver to the contract.
- 8.4. Continuing pressures linked to the cost of delivering the apprenticeship service will be monitored into 2024/25. Any further increase to framework costs will impact the number of apprentices able to access delivery. We will work with the apprenticeship sector as the 2024/25 position emerges with the aim of maintaining a quality apprenticeship product.
- 8.5. Considering the impact of cost of living on SMEs across Wales the Business Wales has been positioned to support those who face uncertainties due to the cost-of-living crisis through a combination of online, telephone, 1-2-many and 1-2-1 business support which is tailored according to client need and the different regions of Wales, dependant on local requirements. The advisory service covers all aspects to support with cost of living issues including on areas such as energy and waste to water efficiency measures.
- 8.6. In delivering activity overseas, costs (including travel, participation fees for events, accommodation costs etc.) have all increased because of inflationary pressures. In real terms, this impacts the level of activity that can be delivered and business support available.
- 8.7. There is an increase on costs for research with an impact on procurement of specialist equipment and cost of retaining and recruiting specialist science staff and technicians. The loss of Structural Funds has added to the squeeze on available funding. This underscores the need to change approach to more focussed research calls with an embedded efficiency in the use and focus of support. This has been reflected in the recent public consultation: [Next phase of the Sêr Cymru research funding programme | GOV.WALES.](#)

- 8.8. In a recent Sêr Cymru research equipment award, it permitted supporting a component of the full economic cost of the project. This approach acknowledges wider economic pressures while providing opportunity to enhance the capability and capacity of our researchers in Wales. This approach will be applied in principle to all capital or revenue funded programmes in the future.
- 8.9. As a consequence of the cost of living crisis, we are seeing increasing levels of poverty in working families. Employment, however, remains the most important factor in helping individuals to take steps to move out of poverty. The combined impact of cost living increases and reduced budgets will inevitably impact on programme activities and outcomes. We are managing these pressures by refocussing or restructuring activities in the short term and undertaking a fundamental review of our employability programmes as part of the Single Operating Model programme detailed in the plan for employability and skills.

9. Lasting implications of the pandemic

- 9.1. The ***Economic mission*** has already set Wales on a path that links our pandemic response with long term, active industrial policies. The Economic Mission: Priorities for a Stronger Economy was published on 28 November, which sets out commitments across four national areas to help focus our funding and policy priorities. No credible evidence or recent experience supports the case for a switch to reckless deregulation, lower expectations on working conditions and environmental standards or unfunded tax cuts. Trickle down is bust.
- 9.2. We will go in investing in long term partnerships capable of linking innovation and skills to between pay and wellbeing. In sectors like aerospace, creative industries, and energy our partnerships have built lasting careers that support stronger family finances in many of our communities.
- 9.3. The Welsh Government cannot support all proposals for our economy and ignore the realities of the financial constraints placed on the Welsh budget. Our mission will guide decisions through tough times and severe budget challenges.
- 9.4. Last year the Prince's Trust [reported](#) that more than 60% of 16 to 25-year-olds had said they were scared about their generation's future, with one in three concerned their job prospects will never recover from the pandemic and cost of living crisis.
- 9.5. Our **Young Person's Guarantee (YPG)**, National Conversation has found stark issues around confidence and mental health – 76% of participating young people reported lacking confidence prevents them from achieving their work, education or training goals. Almost half of respondents had either been officially diagnosed with a mental health condition (20%) or advised that their mental health is suffering (24%)^[1]. JGW+ contractors are reporting that many of the young people they are seeing are requiring intensive assistance and support with mental health and wellbeing. This issue has continued for 23-24 and is likely to continue into 24-25.
- 9.6. Business Wales has been positioned to support those who face uncertainties resulting from the pandemic including support on areas such as general business advice; equality and fair work; resource efficiency; international trade; mentoring and digital exploitation. Bespoke support is also provided to help businesses access more procurement

opportunities; improve marketing and sales; access finance; employment, HR and skills advice.

9.7. To that end, we have sought to sustain expenditure on our Young Person's Guarantee as much as possible when allocating resources through this budget setting process.

10. Ongoing implications of implementing new arrangements and obligations under the UK-EU Trade and Cooperation Agreement;

10.1. A key focus of our trade promotion activity is the European market. The European Union remains Wales' largest trading partner, with goods exports to the EU valued at £11.6 billion in 2022 accounting for 56.6% of Welsh exports (compared with 52.2% of UK exports). Our team of WG International Trade Advisors, based across Wales, alongside our WG Overseas teams (and other key partners, including Department for Business and Trade) continue to provide ongoing support our exporters to understand trading requirements in key markets, including the EU.

10.2. Our Programme for Government commitment to implement our Export Action Plan has put in place a comprehensive package of support for businesses, inspiring businesses to begin to export, building export capability, finding overseas customers, and supporting businesses to get to overseas markets.

10.3. The trading environment with Europe since the UK withdrawal from the EU remains more bureaucratic and costly for business, impacting exports to our largest trading partner (EU). Supporting businesses to understand the requirements, and opportunities in this important market, is a vital element in the delivery of the Export Action Plan for Wales.

10.4. Given the challenges with the trading environment, there remain implications on the appetite for investors to consider the UK for investment over mainland Europe. This is demonstrated in the UK losing its status as number one destination in Europe for global investment projects (EY, 2023).

10.5. Officials from across the Economy, Treasury and Constitution Group and Education and Skills Division liaise regularly with DSIT and UKRI officials to seek to influence better collaboration on investment involving Wales and press for better alignment with Wales Programme for Government and National and local economic strategy in Wales.

Co-operation Agreement

10.6. As part of this budget, we are maintaining our commitment set out in the Co-operation Agreement with Plaid and continue our investment in ARFOR, with £7m allocated in financial year 2024-25 to support delivery of a £11m programme.

11. Ending of EU structural fund

11.1. Commitments were made that Wales would not be worse off from the UK leaving the EU, however the annual average allocation received through EU funds will not be matched by the UK Government until the final year of the Shared Prosperity Fund (SPF) in 2024-25.

11.2. Wales has lost out from access to hundreds of millions of pounds since January 2021 when new EU programmes would have begun. This is due to the UK Government using

tail end receipts from EU funds in its calculations – funds that had already been committed to projects through the 2014-2020 EU programmes.

11.3. Our calculations, broken down in a [Written Statement](#) by the Finance Minister on 4 May 2022, show an overall shortfall to the Welsh budget of more than £1.1bn for the structural and rural EU funds between January 2021 and March 2025.

The Shared Prosperity Fund

11.4. In addition to the replacement funds being £1.1bn short, the UK Government has used the Internal Market Act to channel SPF funding exclusively to Welsh local authorities – bypassing the Welsh Government and the Senedd despite regional economic development being a devolved matter.

11.5. This means the Welsh Government has been denied any access to the Shared Prosperity Fund (SPF) despite EU funds of around £890m supporting Welsh Government projects through the 2014-2020 EU Structural Funds programmes.

11.6. EU funding has supported pan-Wales Welsh Government projects in areas such as business support, employability, skills and research, development and innovation. This includes Business Wales, the Development Bank, apprenticeship and traineeship programmes, community employability programmes and SMART innovation.

11.7. The under-funding and arrangements of the SPF have also vastly reduced funding for other sectors, including universities, colleges, third sector organisations and business, that previously accessed EU funding at scale through the Welsh Government. These sectors are now reporting job losses and the closure of vital growth and innovation programmes.

11.8. New business support, employability and skills programmes are now being delivered by local authorities but rather than uniform pan-Wales or regional offers, provision and opportunities vary depending on the approach and timetables determined by local authorities. The fragmentation of the funding landscape has created significant risks of duplication of provision, particularly in the areas of business support, employability and skills.

11.9. With both Welsh Government and Local Government projects now serving the same audiences constant dialogue between officials is required to ensure people and businesses access the most appropriate support. Given the scale and volume of projects now in operation, this is an ongoing challenge. A sub-optimal environment for business support, employability and skills provision has been created.

11.10. These scenarios would have been avoided if the UK Government had allowed us to manage full replacement funding through our *Framework for Regional Investment*, which was developed with Welsh partners and the OECD and based on commitments that the UK leaving the EU would involve no loss of funding or devolved powers.

12. Our actions

12.1. I along with other Ministers and officials are frequently meeting local government and our Welsh partners to ensure we avoid duplication of provision as far as possible,

particularly in employability, skills and business support, caused by the UK Government fragmenting the funding landscape in Wales.

- 12.2. We are continuing to hold regular meetings of the Strategic Forum for Regional Investment in Wales, chaired by Huw Irranca-Davies MS, to share information and lessons learned among Welsh partners.
- 12.3. No access to the SPF 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.
- 12.4. ESF will potentially have provided £206m of funding to the apprenticeship programme between 2015 and 2023. The loss of EU funding, with no identified replacement, will significantly impact apprenticeship delivery from the 2024/25 contract year onwards with fewer apprentices expected to access the programme.
- 12.5. The end of structural funding will have a significant impact on Employability and Skills provision. 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.
- 12.6. The increase of funding received in 24-25 for the delivery of the Young Person's Guarantee in comparison to 23-24 will help to reduce the impact of the loss of ESF for our key programmes, however, the cuts to Employability and Skills support directly impact on this funding.
- 12.7. Over the life of the last ERDF programme (effectively 2015-23), the Welsh Government's SMART schemes drew down £37.9m, which resulted in engagements with over 1,800 companies and financially supported over 340 companies & academia with R&D projects worth over £100 million with match funding.
- 12.8. Core funding of £10m for 24/25, which will cover 100% of staff costs and innovation activity such as challenge led procurement competitions, innovation grants, Knowledge Transfer Partnership and international collaboration. This is the final year in the 3 year budget with no budget identified for future years. This will significantly and negatively impact on RD&I support and activity going forward.

13. Implementation of legislation

- 13.1. There is no current legislation requiring provision in the draft budget plans within the Economy MEG.
- 13.2. The [Tertiary Education and Research \(Wales\) Act](#) which became law on the 8 September 2022, establishes the Commission for Tertiary Education and Research, a new Welsh Government sponsored body, and will dissolve the Higher Education Funding Council for Wales (HEFCW) once operational. The Commission for Tertiary Education and Research was established in September 2023 and will be operational

in April 2024, when it will become responsible for the strategy, funding and oversight of the following sectors:

- Further education (FE), including colleges and school sixth-forms
- Higher education (HE), including research and innovation
- Adult education and adult community learning
- Apprenticeships

13.3. The [strategic vision](#) outlines the vision for post-compulsory education and training sector in Wales. The establishment of the Commission for Tertiary Education and Research is essential to realising this vision.

13.4. Through our legislative programme and our Co-operation Agreement commitment with Plaid Cymru we will introduce a statutory registration and licensing scheme for all visitor accommodation. A statement made by the Deputy Minister on 14 December, described our intention to proceed with a phased approach to the scheme.

13.5. The first phase of implementation will involve a registration scheme. Once a registration scheme is fully established, our intention is to develop a scheme which licenses visitor accommodation on safety standards initially, before progressing to include licensing on quality standards.

13.6. Updating or creating new legislation is resource intensive. The detailed analysis required to scope the requirements for the different phases will take time, with varying costs associated with each. Creation of this legislation will be subject to further conversation and, of course, ongoing annual budget discussions. For 2024-25 this work will be delivered within the budget allocation for tourism and discussed annually as part of our budget discussions.

13.7. Employment and Training Act 1973. Under section 8 the Welsh Ministers have a duty to secure the provision of “relevant services” (i.e. careers services such as the provision of advice and guidance and information about persons seeking, obtaining or offering employment and training, etc.) to persons undergoing “relevant education” – that is, education in schools and FE colleges, to decide what employment will be suitable for them and for assisting them to obtain such employment, including any education or training that may be required.

13.8. Learning and Skills Act 2000. Under section 33 the Welsh Ministers must encourage individuals to undergo post-16 education and training, encourage employers to participate in the provision of post-16 education and training and encourage employers to contribute to the costs of post-16 education and training (‘post-16 education and training’ includes full-time and part-time education (other than higher education) and vocational training). Under section 40 the Welsh Ministers must establish systems for collecting information which is designed to secure that their decisions with regard to education and training are made on a sound basis, and they may secure the provision of facilities for providing information, advice or guidance about education or training or connected matters (including employment).

13.9. Industrial Development Act 1982. Under section 12 the Welsh Ministers may make grants or loans to anybody they consider appropriate for the purpose of assisting in the encouragement and improvement of links between industry and those concerned with

education, and the encouragement of young people to take up careers in industry and to pursue appropriate educational courses.

14. Wellbeing of Future Generations (Wales) Act 2015 and Preventative spending

- 14.1. As part of the 2023-24 budget process, we continue to publish a Strategic Integrated Impact Assessment (SIIA) with the last one published alongside the draft Budget 2023-24, which outlines the contextual evidence that supported our spending decisions, including those related to children and young people.
- 14.2. The SIIA is one of a suite of documents published as part of the draft Budget and is critical to identifying key trends, strategic and cumulative impacts at portfolio level, across a range of areas, including giving due consideration across the statutory requirements.
- 14.3. We have published an updated SIIA alongside the 2024-25 Draft Budget on 19 December.
- 14.4. We continue to be of the view that an integrated approach to impact assessments enables us to better understand the intersectional and unintended impacts of spending decisions and to maximise the impact of available funding, reducing the disproportionate effect on any one specific group or area.
- 14.5. We do this as through considering spending decisions through a number of lenses we can better understand their integrated impact on different groups of people and areas, including consideration of Equalities or the environment. We recognise that people and places are multi-dimensional and the integrated approach seeks to capture multiple and cumulative impacts.
- 14.6. Detailed impact assessments, including a Children's Rights Impact Assessment (CRIA) and Equality Impact Assessment (EIA) are undertaken as part of our ongoing policy development and review and we continue to consider, as part of our Budget Improvement Plan (BIP), how we can better reflect children's rights in our improvement to budget and tax processes.
- 14.7. The Budget Improvement Plan outlines our vision, including short-term and medium-term ambitions over the next 5 years, to improve our annual budget and tax processes, including proposed improvements to assessing the impact of Budget decisions. The plan also reflects on the work undertaken over the last 12 months.
- 14.8. As part of the work this year we are exploring how we can undertake a more extensive review of our SIIA approach. We intend to outline more detail when we publish an updated BIP alongside the 2024-25 draft Budget.
- 14.9. We have engaged our Budget Improvement and Impact Advisory Group (BIAG) on our SIIA approach and amended our 2023-24 Budget as a result of this engagement. We have also consulted BIAG alongside a range of experts and international governments, on how we can best reform and make improvements to the way our budget and tax processes are conducted.
- 14.10. In this regard, other governments that are moving in the direction of wellbeing and embedding sustainable development in their budget processes have expressed interest

in learning more about how we have been taking this work forward since 2015-16, as we were one of the first in the world to have adopted this approach.

- 14.11. In January 2022, the Future Generations Commissioner for Wales launched a review into how the Welsh Government implements for Well-being of Future Generations Act. [Review by the Future Generations' Commissioner into how the machinery of Welsh Government is carrying out sustainable development and safeguard the ability of future generations to meet their needs.](#)
- 14.12. Under the review the Commissioner is exploring how the Welsh Government is ensuring their processes, working culture and public sector leadership act in accordance with sustainable development principles.
- 14.13. In 2022 the then Future Generations Commissioner Sophie Howe conducted a Section 20 Review into how the machinery of Welsh Government implements the Well-being of Future Generations Act. The review's report was published on 12 December 2022. The Welsh Government accepted the review's recommendation to put a plan in place and we outlined the steps the Welsh Government will take to follow the course of the recommendation.
- 14.14. On 7 February 2023, the Welsh Government published its Well-being of Future Generations Continuous Learning and Improvement Plan (WFG CLIP). The WFG CLIP brings together the actions that the Welsh Government will take now and over the coming years to strengthen our organisation's understanding and application of the WFG Act. The WFG CLIP is the Welsh Government's substantive response to the recommendation in the Commissioner's section 20 review report
- 14.15. Our approach to trade policy, through the lens of the Well-being of Future Generations Act, means we consider trade deals to be about more than purely economic gains. We believe trade deals should contain provisions on other key issues such as worker and gender rights and the environment.
- 14.16. The YPG-National Conversation and the subsequent establishment of the YPG-Young Person's Advisory Board are examples of engaging directly with young people about their lived experiences to inform policy and budgetary thinking.
- 14.17. We also engage and collaborate with stakeholders via a YPG Stakeholder Advisory Group and JGW+ Operational Board.
- 14.18. Continuing to support young people through JGW+ will be a key contribution to preventing young people entering a period of unemployment and disengagement with training or work; and will contribute toward preventing the long-term scarring effects of a period of unemployment.
- 14.19. The main objective of the Jobs Growth Wales+ programme (JGW+) is to provide individualised support to young people (16-18) and equip them with essential skills and employability skills to enable them to progress into learning at a higher level, employment or an apprenticeship at the earliest opportunity, reducing the risk of them becoming NEET. Young people who participate on the programme, will have a range of benefits including an improvement in their essential and employability skills, improved employability outcomes, direct financial benefits, and improvement in their long-term wellbeing outcomes.

- 14.20. It is important to ensure that those with multiple barriers and/or those who share certain protected characteristic have equal access to the programme but also equal outcomes from participating from the programme. Referrals are monitored by age, gender, ethnicity, and disability status, including data and analysis from referral agencies and benchmarking participation rates against local and national averages; and taking positive action to improve participation and attainment by under-represented groups.
- 14.21. The Flexible Skills Programme provides employees an opportunity to upskill which can provide both financial and social benefits such as improving their chance of staying in employment by increasing the likelihood of promotion and boosting their morale.
- 14.22. Communities for Work+ supports the most disadvantaged in the labour market including young people, disabled people, those with long term health conditions, Black, Asian and minority ethnic individuals, carers and parents with childcare responsibilities, over 50s and the low skilled. Evidence shows these individuals have been disproportionately affected by impacts of both the pandemic and the cost of living crisis. The programme provides bespoke 1-2-1 mentoring, training and financial support to address barriers to employment. Communities for Work+ and ReAct+ are Welsh Government's key responses to large scale redundancies. By helping over 22,000 individuals into employment over the past 5 years, Communities for Work+ has been a key Welsh Government intervention in mitigating the impacts of poverty and improving the life chances of not only the individuals themselves but also those of their families.
- 14.23. The aim of the ReAct+ programme is to help those who have been impacted by redundancy, who are short-term unemployed, ex-offenders or offenders serving their sentences in the community and young people aged 28-24 and who are not in education, employment or training find new work in as short a time as possible, thus preventing progression into long-term unemployment.

15. Equality, Sustainability and Welsh Language

- 15.1. As part of the Draft Budget, we have taken an integrated approach to impact assessments, as well as considering the impact of decisions and policies on social, economic, cultural and environmental well-being, as set out within the Well-being of Future Generations (Wales) Act, which continues to be an important driver guiding our Budget considerations.
- 15.2. Our Budget through the Strategic Integrated Impact Assessment identifies key trends, strategic and cumulative impacts at portfolio level, across a range of areas, including giving due consideration across the statutory requirements. This ensures strategic budgetary decisions reduce the disproportionate effect on any one specific group or area; whilst also helping to identify opportunities to maximise positive impacts and reduce inequalities across our society. A robust SIIA ensures every pound invested delivers the greatest positive impact.
- 15.3. This document should also be read in conjunction with the Draft Budget narrative and supporting documents, such as the Chief Economist's report and our updated distributional impact analysis, alongside the detail in ministerial evidence papers to committees.

- 15.4. The evaluation of Ser Cymru takes account of Cross Cutting Themes (CCTs) including activity supporting equality sustainability and speakers of the Welsh Language. By supporting research and STEM enrichment programmes we continue to explore and develop how to build ambition and encourage learning for life and help equip everyone with the right skills for a changing world and build resilient communities, culture and language.
- 15.5. Difficult choices have had to be made as part of this budget given the limited resources available. We have chosen to protect our apprenticeship programme as much as possible. Our apprenticeship programme is underpinned by labour market and skills intelligence as well as research. We expect providers to draw on a full range of evidence including economic trends and the needs and expectations of employers, including the demand for net zero skills. Regional Skills Partnerships have a central role providing intelligence and driving change at a regional level so that provision is better aligned to economic growth areas.
- 15.6. Increasingly there is a need for a different mix of skills and qualifications as employers adapt their businesses to meet the opportunities of digitalisation, artificial intelligence and sustainability. Where apprenticeship frameworks and pathways are revised, CTER will need to embed skills for supporting sustainability and climate-neutral goals, driving the net zero growth of sectors including manufacture, transport, energy and the circular economy.
- 15.7. We know that the transition to a greener economy demands high levels of circularity, where resources are kept in use adding economic value and avoiding waste. This can create jobs and skills opportunities in existing and new industries from renewables to repair. This economy is integral to a low carbon society, where the skills infrastructure can support, for example, renewable energy projects and sustainable homes.
- 15.8. With the establishment of CTER comes the opportunity for greater join up between education and training systems, where apprenticeships can work alongside other skills and education programmes to provide smooth access to the right progression for the individual. Further education, higher education and independent training providers need to explore opportunities for collaboration to support vertical progression across apprenticeships.
- 15.9. As part of this budget, we are protecting the Employer Incentive Scheme aimed at encouraging employers to recruit apprentices. The scheme encourages employers to recruit disabled people by providing a financial incentive. Furthermore, we are continuing the supported shared apprenticeship programme introduced to specifically enable disabled people with complex learning and employment needs to access an apprenticeship.
- 15.10. Careers Wales and Working Wales are remitted to help people secure the best career available for them. This involves receiving support to raise aspirations, increase awareness of training and employment opportunities, support people to develop the skills and competencies to manage their own careers, and help people apply these capabilities to access and progress in, appropriate training, further learning, or employment. The use of images, language, and the various media, used to promote or provide services, takes into consideration the different needs of their customers. Careers Wales, as with all our employability and skills provision, provides a fully bilingual service across all its service 'channels' including telephone, face to face and website.

- 15.11. Our network of Disabled People's Employment Champions help closes the gap between disabled people and the rest of the working population. The champions have addressed hundreds of employer and key delivery partners at fora and events, linking with employers who are seeking to recruit to a pool of disabled people who are actively seeking employment; providing employment advice for the business community; advising on policy changes and procedures and helping companies make the Disability Confident Commitment.
- 15.12. In terms of Welsh-medium and bilingual apprenticeships, providers and the Coleg Cymraeg Cenedlaethol are working collaboratively to increase capacity in the sector and this work will need to continue if we are to create more opportunities for young people to learn and train through Welsh. CTER will have also specific duties in relation to the Welsh language and will need to work effectively with providers and the Coleg so that more young people can learn through the medium of Welsh and develop their Welsh language skills.
- 15.13. The role of the Coleg Cymraeg Cenedlaethol has been expanded to provide targeted support for the further education and apprenticeship sectors. The Coleg's ambitious Further Education and Apprenticeship Welsh-medium [Action Plan](#) sets out the actions needed to increase capacity in these sectors and we are investing additional funding to support delivery in priority areas. Work with the Coleg is continuing to identify sectors where new frameworks or additional capacity for Welsh-medium and bilingual apprenticeships should be developed. Additionally, to encourage uptake of Welsh-medium and bilingual apprenticeships we have recently introduced an innovative funding model which applies an uplift for provision which is delivered bilingually.
- 15.14. The main objective of the new Jobs Growth Wales+ programme (JGW+) is to provide individualised support to young people (16-19) and equip them with the essential and employability skills to enable them to progress to learning at a higher level, employment or an Apprenticeship at the earliest opportunity, reducing the risk of them becoming Not in Education, Employment or Training (NEET).
- 15.15. There is evidence that the target cohort are more likely to have multiple barriers, for example additional learning needs, mental health and housing issues. They may also have caring responsibilities for others with health problems and or have difficulty accessing work due to rurality and transport issues.
- 15.16. The programme helps give young participants a greater chance of gaining sustainable work and in turn reducing poverty. The programme is also increasing opportunities for individuals by enabling them to participate in cultural activities, which will encourage and promote involvement in the arts, sports and recreation. The programme promotes team building, community activities as well as an appreciation and understanding of the benefits of physical activity.
- 15.17. Within the Community Strategy, providers set out how they reflect the needs of the young people in the local community. They set out how they work closely with local employers and other stakeholders (including local authorities, Careers Wales, third sector and other community organisations), to embed themselves in the local community, make local connections and work together to meet long term wellbeing goals of young people.

- 15.18. Our Communities for Work+ programme support the most disadvantaged in the labour market including young people, disabled people, those with long term health conditions, Black, Asian and minority ethnic individuals, carers and parents with childcare responsibilities, over 50s and the low skilled. The programme provides bespoke 1-2-1 mentoring, training and financial support to address barriers to employment. The substantial cuts in the programme's budget will directly impact on support and outcomes for these individuals.
- 15.19. The ReAct+ programme is committed to the cross-cutting theme of sustainability and the delivery of the programme is now largely online; this has reduced the programme's reliance on paper forms. The programme is underpinned by robust labour market information and can fund training courses which equip programme participants with the skills sought by employers in new and emerging sectors. The programme has funded courses with a 'green' element such as recycling and installation of solar panels. The programme encourages participants to undertake training courses as close to their homes as possible to reduce travel. Where travel to training courses is necessary, participants are encouraged to use public transport wherever possible.

16. Impact on Deprivation and Poverty

- 16.1. We know that inequality has a negative impact on economic growth and social outcomes. Growth is best secured when we maximise people's participation in good quality, sustainable work, where they receive fair pay, ensuring this is shared fairly across geographies and demographics, particularly amongst under-represented groups.
- 16.2. We will continue to encourage young people onto apprenticeships as part of the [Young Person's Guarantee](#). The 16-25 age group will remain a priority for people starting apprenticeships – we annually set priorities for commissioned apprenticeship contract holders. Our marketing and communications strategy is focussed on promoting new apprentices and employers through celebrating achievements and the benefits of apprenticeships widely; building awareness of the opportunities the programme has to offer to employers of all sizes. We have expanded front-line advice services via Working Wales, Communities for Work Plus (CfW+) advisor and mentor infrastructure and Employment Bureaus in Further Education. Also aiding the transition of young people from education into the labour market and ensure there are multiple access points for adults and young people, attached to their existing institution or provider.
- 16.3. In addition, we will monitor the impact of cuts made to our programmes. We have recently been examining using an apprentice's history of free school meal eligibility as an indicator of deprivation, and the link between this and success rates. That work was published in an article [Using free school meal history as an indicator of deprivation for apprenticeship and adult learning outcomes: August 2021 to July 2022](#) on 7 November. The data predominately relates to 16-24 year olds. Officials are working to understand the impact by skills sector and apprenticeships level and consider what interventions could support improvements.
- 16.4. There is a clear relationship between economic growth, jobs and tackling poverty. Secure, well-paid, and sustainable employment offers both a route out of poverty and protection against it, not just for the individual, but also for their dependents and indeed their wider community. Our employability programmes aim to support people into quality sustained jobs.

- 16.5. The Flexible Skills Programme offers employers an opportunity to up-skill its workforce by supporting new training interventions. This provides a direct benefit to individual members of workforce who receive enhanced and transferrable skills because of Welsh Government investment. It actively supports Welsh Government ambitions for reducing in-work poverty by raising the skill sets of the current workforce in Wales which provides individuals with an opportunity to progress in employment and increase their salary as a result of this.
- 16.6. All our Employability Programmes enable participants to access direct financial support for barriers such as travel and subsistence costs whilst undertaking training, attending work experience or interviews. Similarly childcare costs can be funded whilst individuals are undertaking training and essential start-up costs for those entering self-employment are also funded.

17. Changes to the demographic – Ageing population

- 17.1. Our workforce in Wales is getting older and young people joining the labour market may not fill all the vacancies. Across the UK the post-World War II baby boom generation is now in or approaching retirement age. Since the older demographic represents the largest proportion of UK born people, the over 50s labour pool is growing whilst the pool of under 50s which will take their place is declining. This demographic change is placing pressures on employers who are finding it increasingly difficult to recruit and retain staff.
- 17.2. The apprenticeship sectors particularly affected are those which are human-intensive and where work does not lend itself to automation, such as health care, construction, and hospitality. Against the context of the end of European free movement of labour, attracting talent into these sectors can be problematic. In the Welsh context, construction is the least affected by the end of free movement and most apprentices are aged 16-19, which is a priority group. For health care and hospitality, apprenticeships in themselves cannot resolve recruitment problems – pay and conditions relative to other sectors impacts on recruitment. Our marketing and communications strategy will remain focussed on promoting new apprentices and employers; and the we-care social care campaign will remain active.

18. Preventative spending and Value for Money

- 18.1. These budget proposals reflect my continuing commitment to protect and prioritise investment that supports preventative measures as far as possible with the difficult decisions I have had to make across my portfolio. Value for money and clarity over how we use our resources effectively is central to delivering our priorities. Once expenditure is planned in line with priorities, we have well-established processes in place to ensure that resources are used effectively for the purposes intended.
- 18.2. The assessment and value for money is referenced further down in the specific questions.

b) Specific areas

b.1. This section provides an update on specific areas requested by the Committee.

19. Economy

Support to help business and workers as a result of the increased cost of living and Ongoing support to help businesses with long- term recovery from the pandemic

19.1. Direct support is available for businesses facing uncertainties due to the cost-of-living crisis and recovering from the impact of the pandemic through a combination of online, telephone, 1-2-many and 1-2-1 business support which is tailored according to client need and the different regions of Wales, dependent on local requirements. The service is available to support existing businesses, start-ups and individuals who are considering self-employment and can be accessed digitally via <http://businesswales.gov.wales>, social media channels and the 03000 6 03000 helpline.

Allocations in relation to the Freeport Programme in Wales

19.2. The Freeports programme includes some costs that are met by the UK Government and others that Welsh Government is expected to meet. The UK Government has indicated it is providing £2m of capacity funding for the prospective Freeports (£600k in 2023/24 and an expected £1.4m in 2024/25). This funding is paid to the Freeports by Welsh Government and reimbursed by the UK Government. The transfers will be actioned later in 2024-25 once this funding is formalised by the UK Government in our budget.

19.3. Direct costs for Welsh Government to date include staff in Welsh Government, legal support and technical advice. Future costs will also include for monitoring and evaluation and the costs associated with the use of devolved levers in Welsh Freeports. The costs associated with the use of devolved levers, such as Non-Domestic Rates relief and retention, are not yet known. These are expected to become clearer as prospective Welsh Freeports submit their Outline Business Cases in December.

19.4. The UK Government announced in the Autumn Statement an extension to the Freeports Programme in England to 10 years. The Welsh Government is working with the UK Government to assess the implications of an extension for devolved levers and to consider whether this can be applied within Wales.

Allocations in relation to the potential creation of 'investment zones' in Wales

19.5. Since the UK Government launched the Investment Zone Programme, we have been engaging with them at Ministerial and official level on the detail of their policy and approach. A decision has been made to create 2 Investment Zones in Wales.

Allocations to support the regional approach to economic development (including those made to develop and deliver the regional economic frameworks, Tech Valleys, and the Arfor 2 programme)

Regional Economic Frameworks (REF's)

19.6. In December 2021, we published the regional economic frameworks for the four regions in Wales. The Regional Economic Frameworks are integral to our commitment

to a place-based model of economic development where we build on and work with the distinctive strengths of our regions.

- 19.7. The frameworks have been shaped with partners in each of the regions, including local authorities and regional bodies.
- 19.8. They are based on evidence and agreement, with clear priorities that are aligned with our framework for regional investment, the economic mission and, of course, the programme for government.
- 19.9. This mature approach is essential to the creation of a shared vision with common objectives to deliver a fairer, greener and more prosperous Wales.
- 19.10. In addition to the direct allocation of funding through my MEG the REFS provide the strategic priorities for regional investment across Government. In addition there is a small regional budget of £300k allocated for 24/25 to support a range of projects which align to the priorities of the REF.

Tech Valleys

- 19.11. A revenue allocation of £1.758m for financial year 2024-25 will support the Welsh Government's Tech Valleys Programme for Government commitment - a ten-year, £100 million commitment to create 1,500 sustainable jobs focused on Blaenau Gwent and hinterland by capitalising on opportunities arising from the fourth industrial revolution, encouraging the adoption of digital technologies and developing high value advanced technologies that support cutting edge industries.
- 19.12. To-date, Tech Valleys investment has helped created 298,000 sq. ft. of new and refurbished floor space, enabling 600 potential jobs. It is supporting resilience, efficiency and the up-take of technology in small and medium sized businesses and raising awareness of STEM-related careers and promoting the take-up of STEM subjects at school and post 16. These figures will continue to grow as project currently in development come to fruition.
- 19.13. One of our biggest investments through the Tech Valleys Programme is over £16 million for the establishment of the Thales Ebbw Vale Technology Campus – a partnership between the Welsh Government, academia, business and Thales UK Ltd. The campus provides world-class, cutting-edge facilities which research solutions into the cyber resilience of critical national infrastructure and is a key economic development and growth catalyst project in South Wales.

ARFOR 2

- 19.14. In October 2022, Welsh Government, as part of the Co-Operation Agreement with Plaid Cymru, committed to co-produce phase 2 of the ARFOR programme with local government committing £11m (over 3 years) towards the programme. The ARFOR funding has been reprofiled to £4m in financial year 23-24 and £7m in 24-25.
- 19.15. Officials continue to work with the existing ARFOR Board (comprising of the 4 local authority Leaders of Ynys Mon, Gwynedd, Ceredigion and Carmarthenshire and their officials) to take forward the ARFOR 2 programme which will:
 - a. Seek to build on the experience of the previous ARFOR programme
 - b. Take account of the evaluation report from Wavehill Consulting

- c. Complement existing or proposed activity, which is of relevance, including for example Business Wales, Welsh Housing Communities Plan and the work of Simon Brookes etc.

19.16. Having undertaken detailed planning work around the proposed interventions the programme is now into delivery. It aims to deliver a number of economic interventions supporting those communities in the 4 local authorities where incidence of Welsh speakers is highest.

The financial allocations associated with the foundational economy enabling plan and the Backing Local Firms Fund

19.17. The Backing Local Firms Fund (BLFF) is a Programme for Government commitment introduced in this Senedd term. Since its introduction, the BLFF has been aimed at supporting micro, small and medium firms with a head office in Wales to help overcome issues and barriers they face, especially when doing business with the public sector in Wales.

19.18. The first BLFF allocation in financial year 2021/22 amounted to £1m and has since grown to c£1.4m of the £3m Foundational Economy (FE) programme budget. The remainder of the budget has supported delivery of non-BLFF activity, including the Capability Networks delivered through Cynnal Cymru; funding procurement improvement work in NHS Wales; social care micro care providers; work experience in delivery of housing projects; and developing a strategy for public sector sourcing of local food.

19.19. 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 2024-25. The removal relates to the BLFF 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.

The Development Bank for Wales – including support for employee-owned businesses

19.20. The Development Bank of Wales delivers a suite of funds and services on behalf of multiple departments. It is one of Wales's cornerstone economic development institutions. It delivers to both businesses and individuals (operating schemes such as Help to Buy Wales and Help to Stay to the latter), it supports Government in managing several complex investments and loans and is the vehicle for the Mutual Investment Model Scheme which supports delivery of key capital infrastructure projects across Wales.

19.21. Because of historic investments made to capitalise the bank, the Development Bank is no longer reliant on EU funding or successor UK based funds to sustain significant investment with Welsh businesses.

19.22. In 2023 the Development Bank launched a Green Business Loan Scheme. The £10m pilot is proving popular with businesses, with £6m of loans expected to be issued in this financial year.

- 19.23. DBW is delivering on Programme for Government commitments to (i) increase the use of equity stakes in business support and (ii) increase the availability of patient capital to businesses.
- 19.24. Since the start of this Senedd term in 2021, DBW has increased the use of equity stakes in business support from £13.8m to a rolling 3-year average of £16.1m per annum and has expanded its provision of patient capital (debt) to businesses from £27.8m to a rolling 3-year average of £34.5 per annum.
- 19.25. Headline results from the 2022/23 Annual Report and Financial Statements:
- £238 million total impact on the Welsh economy
 - £124 million direct investment into Welsh businesses – a year on year increase of 14%
 - 516 investments into 435 businesses
 - 4,669 jobs created or safeguarded, a 32% increase year-on-year
- 19.26. Development Bank of Wales investment has grown steadily since launch in 2017, increasing from £68m in 2017/18 to £124m in 2022/23.
- 19.27. Because DBW operates financial instruments, loans and investments, it receives back a large proportion of the funds it deploys. This makes the net cost of delivery very low when compared to other routes such as grant funding. Moreover, DBW funding normally leverages significant private sector funding, improving further the overall value proposition. £114m additional investment from banks and other private-sector co-investment in 2022/23.
- 19.28. The British Business Bank has launched a new Investment Fund for Wales, valued at £130m over 5 or more years. We do not expect these new funds to displace Development Bank of Wales funding already in place as there is scope for all funds to be deployed in the market – particularly given the prevailing economic context where mainstream lenders are being more risk averse.
- 19.29. In 2022/23 the Development Bank saw growth in North Wales with businesses in the region receiving £30.7m in support, a total of £52m of support was provided in South-East Wales and £40m in Mid and West Wales.

Financial allocation to Business Wales

- 19.30. The revenue funding allocated as part of the 2024-25 draft budget to support Business Wales stands at £20.926m. This allocation will support the five themes of work delivered by the Entrepreneurship and Business Wales division, which are:
- **Digital and helpline service** provides a fully bilingual, accessible point of contact offering a full range of information and guidance for entrepreneurs and businesses. This provides impartial tailored information and resources to help navigate business support. The Sell2Wales procurement portal promotes opportunities for businesses to access and win public sector contracts.
 - **Business Wales supporting entrepreneurs and business start-up** inspires and develops the capability of entrepreneurs by developing a culture of entrepreneurship and business start-up in Wales focussing on reaching out to young people in education and those under 25 years, adults who are considering starting their own business, and targeted outreach for individuals underrepresented in business start-up and society.

- **Business Wales development and advisory support** builds the confidence and resilience of the business community in Wales through the provision of dedicated advice, support and focussed relationship management. The service provides advice and specialist support in a breadth of helping businesses create opportunities for employment, access finance seek new markets and improve business practices and their productivity.
- **Business Wales Accelerated Growth programme** provides tailored business support, relationship management and specialist coaching for selected pre-revenue and established businesses that can demonstrate the aspiration and potential to achieve high growth. High growth support is delivered by highly skilled coaches and mentors and is supported with a suite of dynamic online high growth tools.
- **Social Business Wales** provides a dedicated, collaborative specialist service for social enterprises focused on achieving the outcomes as set out in the ten-year Vision and Action Plan 'Transforming Wales through social enterprise'. This includes one-to-one business support, to eligible new start and growth social businesses, dedicated employee ownership support and peer mentoring support.

The financial allocations to deliver the Programme for Government commitment to 'seek to double the number of employee-owned businesses'

19.31. The Welsh Government has made a commitment in our Programme for Government in Wales to double the number of employee-owned businesses by 2026. To achieve that, we are committed to providing greater support to ensure Wales-based companies remain in Welsh hands.

19.32. There were originally 37 and this has grown to 68 in Wales. The scale of the employee-owned sector has grown in the past few years with the potential for many more and we expect to achieve our target of 74.

19.33. Working with Cwmpas the Welsh Government has approved additional funding to promote the benefits and development of employee ownership in Wales to ensure business based in Wales are aware of the opportunities and benefits it offers.

19.34. The Welsh Government's Business Wales and Social Business Wales (£1.7m allocated to social enterprise out of the £20.9m overarching budget) service offers specialist advice to support employee buy outs, with fully funded and bespoke help available to help business owners decide if employee ownership and share schemes are the right solution for their business.

The Community Bank

19.35. During this financial year Monmouthshire Building Society stood back from their commitment to deliver the Community Bank. Officials are therefore actively seeking new delivery partners.

19.36. No budget has been allocated as part of this draft budget to support the delivery of the bank. However, to actively support Community Bank related action, a revenue budget of £100k has been allocated within the Business and Regions Budget Expenditure Lines to support this. This enables us to:

- Carry out market insight work to test the viability of a community bank proposition in the marketplace.
- Legal and financial due diligence work related to any proposition and;
- Cost of supporting Bank Cambria, enabling them to work with potential delivery organisations.

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

19.37. Our Programme for Government is committed to supporting strategically important sectors for Wales and the UK.

19.38. We provide funding to support the work of Industry Wales, who are a voice for manufacturing in Wales across key sectors including aerospace, defence, space, and automotive.

Aerospace & Defence & Space

19.39. The Aerospace Wales Forum (AWF) is the trade association for all companies operating in the Aerospace & Defence and Space sectors in Wales. It was set up in 2001 and is the voice of the sector in Wales, providing a voice for the sector and for providing many services. The funding we provide to Industry Wales includes core funding for AWF and has also received funding to create a network of companies engaged in maintenance repair and overhaul (MRO) so that they may collectively trade and thus attract greater potential trade than they would individually.

19.40. There are 11 companies who make up the Hub (Oct 2023) and over 50 companies operating in MRO in Wales. AWF provides companies opportunities to participate in global trade shows, in primes' supply chain programmes, in business improvement activities and in network events it holds for its 170 members.

19.41. Our investment in AMRC Cymru supports Airbus' Wing of Tomorrow as a core activity alongside open access facilities for wider industry. Successful bids for WoT programme elements such as SusWing and DAWN have brought large ATI investments into Wales.

Automotive

19.42. The funding Welsh Government provide to Industry Wales includes core funding for the Welsh Automotive Forum (WAF). We benefit from regular real-time updates on the position of the automotive sector from WAF's roundtables which continue since Brexit and pandemic. We are updated on the impact of global freight disruptions, the semiconductor chip crisis, the impact of Brexit, the current cost of doing business crisis, the difficulties in recruiting and retaining staff and geopolitical tensions, increased material cost and lead times.

19.43. We continue to fund WAF to support the sector and the wider Welsh supply chain to transition to low/Zero carbon vehicles.

Toyota Lean Clusters programme

19.44. Since the current programme, with the greatest amount of support to date for this engagement, launched in October 2021, 5 cohorts of groups from Welsh businesses

have joined the Lean Start programme, the flagship element, with 44 groups participating (some companies have repeated).

Steel

19.45. As detailed in Net Zero Wales published in October 2021, the industry and business sector accounted for 38% of Welsh emissions in 2019. Of the total emissions from the industry and business sector 37% are from the iron and steel industry.

19.46. Decarbonisation of the steel industry continues to be a priority for the sector. Delivering a just transition to a low carbon future is critical and because of the mix of reserved and devolved responsibilities relating to business and industry and we need to work closely with the UK Government to deliver the right policy mix.

19.47. The potential impact of decarbonisation policies on industrial competitiveness requires a balanced system of support across the UK and this must take into account the unique geographical challenges of the industrial regions of Wales. Our pathway to a net zero Wales is challenging, but it will offer opportunities for sustainable growth and more resilient businesses.

Supply Chain Mapping

19.48. A review of the Manufacturing Action Plan (MAP) was undertaken in 2022/23 to update the plan and it set out the areas where we are focussing our collective efforts, framed against six strategic objectives:

- Address the climate emergency by decarbonising the manufacturing sector in Wales, underpinned by Circular Economy methodology.
- Develop the conditions to anchor key manufacturing companies in Wales including the provision of modern infrastructure and resilient supply chains.
- Identify and develop the necessary leadership and workforce skills required to achieve 'Wales 4.0'.
- Strengthen collaboration between stakeholders to embrace technological change and deliver more commercial Innovation at pace.
- Embed 'Fair Work' employment principles in Wales, promoting inclusivity, security, and protecting our cultural heritage.
- Mobilise business support to equip Welsh manufacturers to meet future demand for products of strategic importance.

19.49. Within these six objectives are a range of current and planned activities which will contribute to their overall success. An example of work that is currently being progressed includes a supply chain mapping exercise in areas of strategic importance to Wales and which will provide opportunities for Wales based manufacturers in the short, medium and long term. Our initial focus is around decarbonisation and renewables and includes Fixed and Floating Offshore Wind, the Optimised Retrofit Programme and the provision of Electric Vehicle Charging Infrastructure. The objective is to identify current supply chains and most importantly, potential future supply chains in Wales.

The allocations to deliver Welcome to Wales: priorities for the visitor economy 2020-25, including Wales Tourism Investment fund and Brilliant Basic's Fund

19.50. In the Welsh Government's tourism strategy, Welcome to Wales: Priorities for the visitor economy 2020-25, the ambition is to grow tourism for the good of Wales, e.g. economic growth that delivers benefits to the people and places of Wales, environmental sustainability and social and cultural wellbeing.

19.51. Planned activity in 2024-25 includes investing in our marketing programme, grading, investment in skills and our capital development programme allowing us to continue a sustained promotion of core products e.g. the Wales Coast Path; supporting complementary activity across Events Wales and others and working in collaboration with WG stakeholders such as Transport for Wales, Cadw and Landscapes, Nature and Forestry

19.52. £9.126m revenue and £5m capital in 2024-25 will support the delivery of this priority.

The allocations to deliver the 2024-25 Wales Tourism Investment Fund

19.53. The £50m Wales Tourism Investment Fund (WTIF), is a combination of grants and loans, managed by the Development Bank of Wales, which will continue to help finance capital investment in projects that grow the sector and have a positive impact on the Welsh economy.

19.54. The fund will bring together both commercial and grant funding into one combined package of financial support to provide capital investment for the sector and will help finance capital investment in tourism projects which have the opportunity to create positive impact on growing the sector and Welsh economy. WTIF will continue to support eligible capital projects during 2024-25 which will enhance the tourism offering of Wales by supporting our strategy for the sector.

The allocations to deliver the Brilliant Basics Fund

19.55. The £5m capital fund for 2024-25 will help to deliver small-scale infrastructure improvements in strategically important tourism locations across Wales. In 2023-24, it was open to local authorities and National Park Authorities and 30 full applications from projects across Wales were received.

19.56. We are maintaining this investment in 2024-25 to further meet the objectives of the fund, which are to:

- Invest in small infrastructure projects that benefit both communities and visitors in strategically important tourism locations.
- Develop high quality infrastructure projects that support the wider tourism offer in destinations giving visitors a memorable experience throughout their stay.
- Support basic facilities to remain open all year and cater for visitors well into the evening.

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

19.57. The Retail Action Plan was launched in May 2023 and brings together a number of actions to support the retail sector advance toward the Retail Vision. The Action Plan is

a product of social partnership work lead by the Retail Forum, with actions are collectively agreed and owned.

- 19.58. The Retail Forum was brought together to support continued close working between retailers, retail sector representatives and Welsh Government, with the initial aims of building on the good relationships and collaboration which was seen during Covid-19. The Vision was developed in recognition of the need to support the retail sector post-covid as very significant structural changes to our high streets and consumer shopping behaviours are resulting in very serious challenges for retail and workers in the sector.
- 19.59. A conscious decision was made by the Retail Forum that the Action Plan was developed to provide purpose, direction and focus and to influence how all parties engaged would utilise the resources and levers available. There was no identified or ring-fence funding to support the actions in the plan.
- 19.60. The Action Plan identifies opportunities to collaborate and use the available tools and levers across the social partnership to deliver positive outcomes identified for the retail sector in Wales. The Action Plan focuses on where the social partners can raise awareness and utilise existing support measures across for example the Welsh Government, like through the young person's guarantee and utilise our ability to convene parties, to advance work identified in the Action Plan to support those who work in the sector and the retail businesses to play their part in contribution for example to Welsh Governments net zero ambitions.
- 19.61. The Welsh Government is aware however that budget pressures elsewhere in the Government will have some impact on the and scale of delivery of some of the Plan's actions and may lead to some activity being deferred or proceeding at a slower pace.
- 19.62. Retail is one of the largest private sector employers in Wales. The Action Plan outlines actions to work on delivering better outcomes for those who work in the sector, ensure retail has a future in our towns and city centres and contributes to wider work to advance towards Net Zero and make sure Retail is actively tackling issues on equality, diversity and inclusion.

Allocations to support businesses and workers in the transition to Net Zero, such as those to support the creation of sustainable green jobs, and those that ensure that workers will have the necessary skills to do these

- 19.63. The Welsh Government is committed to supporting Welsh businesses and our Net Zero Plan is the start of our journey to a net zero and greener, stronger, fairer Wales.
- 19.64. As outlined in the Programme for Government, the Welsh Government has the vision and ambition to address the climate and nature emergency and will make sure that nature and the climate are on the agenda of every private sector business, integrating positive action for nature into more of our economic activity.
- 19.65. Business Wales aims to build strong resilient companies and provides access to a range of business advice, information and signposting as well as specialist strands of advice such as support on green policies, practices and resource efficiency, as well as workshops and one-to-one advice. Business Wales promotes and is working to embed decarbonisation and climate change considerations into service delivery, so that they are central to discussions with businesses alongside fair work and productivity.

- 19.66. As part of our commitment to the Net Zero Plan, Business Wales works with businesses in Wales, particularly SMEs, to incorporate energy efficiency, resource efficiency and new low carbon technologies into their workspaces and manufacturing facilities and develop new ways of working. This support includes advice to businesses on longer term change together, awareness of financial support to decarbonise along with advice in dealing with the economic impacts of the energy crisis. This includes development of the Green Growth Pledge, which helps business realise the financial, environmental, and societal benefits of operating more efficiently, taking practical steps to reduce and reuse, source responsible suppliers, innovate and win more business, alongside the Economic Contract for relationship managed SMEs.
- 19.67. The Development Bank of Wales has launched a new 'invest to save' offer called the Green Business Loans Scheme, which will help businesses reduce their carbon emissions and save money on their energy bills. This pilot scheme will provide green business loans, which will enable businesses in Wales to borrow money at discounted rates and on flexible repayment terms, so they can invest in measures to reduce not only their carbon footprint but also their energy bills. Businesses can use the money to improve the energy efficiency of their premises, invest in renewable energy technology or upgrade their machinery and systems to reduce their waste, water and energy use. In addition to the discounted loan offer, businesses utilising the scheme will have access to consultancy via Business Wales, to support them to decide what to invest in.
- 19.68. The Business Wales website and social media channels have shared messaging and published a range of content regarding resource efficiency and climate change including events, funding and business support advice.
- 19.69. Business Wales offers a range of workshops and webinars which provide businesses with support to adapt to emerging climate change challenge, for example attendees at our start-up workshops are asked to create a green growth pledge to help them understand the benefits of sustainable business practices.
- 19.70. Businesses can access carbon footprint calculators for free at <https://www.carbonfootprint.com/calculator.aspx> and <https://www.carbonindependent.org/>.
- 19.71. Carbon off-setting schemes are also available for businesses such as Forest Credits, Size of Wales and Ecosia.
- 19.72. In addition, resources relating to Carbon Capture Technology and Land Management Approaches for Net Zero are available on the Farming Connect website.
- 19.73. Decarbonisation Advisers are available to support businesses to adopt or improve environmental strategies, and work with businesses towards creating a resource efficient and resilient business.
- 19.74. Advisers provide a range of advice such as using fewer raw materials to reduce the risk of material scarcity, driving innovation and resilience, and helping businesses reach new markets. They can also help businesses reduce overheads and increase profitability; comply with health, safety and environmental legislation; enhance business image with customers, employees and the local community and improve the workplace and the local environment.

Detail on budget allocations relating to the Welsh Government's policy on remote working strategy

19.75. *There is no budget allocation provided for the remote working strategy in 2024-25.*

19.76. Introduced in September 2020, the remote working policy promotes a workplace model where staff can choose to work in the office, at home or in a hub location. In March 2022, Smarter Working: A Remote Working strategy for Wales was published following feedback from key stakeholders, including the Shadow Social Partnership Council and key Welsh Government departments. This strategy outlined our approach to achieving 30% of the workforce working at or near to home in this Senedd Term.

19.77. A network of hubs was also established, with a small number receiving funding to trial their effectiveness. Since that pilot work finished, many such spaces have been set up, by both public and private sector organisations.

19.78. Monitoring of the current picture across Wales has indicated that these different ways of working have now been adopted by many organisations and businesses, which have already embedded remote and hybrid working practices into their operations. To date we have:

- Published the strategy, accompanying impact assessments and case studies.
- Published guidance to business, available on the Business Wales website.
- Worked with Trade Union and Local Government colleagues on a report on agile and flexible working for the Workforce Partnership Council.
- Provided small grants and support for a small number of local work hubs and published a list of local work spaces on gov.wales.
- Undertaken a public engagement exercise on what people want in a remote working hub or space.

Skills & Employability

The total quantum of funding intended to be deployed on delivering the Young Persons Guarantee in 2024/25.

19.79. The Young Persons Guarantee (YPG) is the umbrella structure, which sits above all programmes for young people, aiming to create a simple journey for young people regardless of their circumstances and background.

19.80. The main Programmes and schemes (as well as lead Minister responsibility for them) identified within scope of the Young Person's Guarantee are as below. The total quantum of funding intended to be deployed on delivering the Young Persons Guarantee in 2024/25 could reach, given there are some demand-led programmes, **circa £1bn** across both Education and Welsh Language and Economy MEGs, but it should also be noted some programmes are available to all-ages and some of the programmes are funded over academic years rather than financial years.

The level of funding intended to be deployed to deliver Personal Learning Accounts in 2024-25.

19.81. Personal Learning Accounts (PLA) funding sits within the Education and Welsh Language MEG. Budget pressures within that MEG has led to a decision to cut the PLA budget line to zero (from £17.9m). Officials are working with the FE sector to ensure PLA activity is mainstreamed and prioritised within FE part-time provision.

Absorbing this level of funding into mainstream part-time will, however, affect other forms of part-time provision currently delivered across Wales.

A consolidated list of all employability programmes funded by the Skills BEL, including: The intended client base / beneficiaries of each programme; Whether they are part of a larger 'umbrella' scheme (i.e. the Young Persons Guarantee) A list detailing the main providers for each of the programmes including their 2024-25 contract values.

19.82. These have been provided in **Annex C**.

Work-based Learning - Apprenticeships

The actual 2022-23 and forecast 2023-24 outturn for the apprenticeship programme and traineeship programme

19.83. The Traineeship Programme ceased at the end of 2021-22.

19.84. The actual 2022-23 outturn for the Apprenticeship programme was £107.2m (including ESF income of £18.8m). The forecast outturn for this programme in 2023-24 is £109m.

19.85. ESF will potentially have provided £209m of funding to the apprenticeship programme between 2015 and 2023. The loss of EU funding will significantly impact apprenticeship delivery from the 2024/25 contract year onwards. Ministers and Officials are working to address this shortfall.

19.86. The Minister for Economy has provided a 5% increase to all apprenticeship funding band values to acknowledge general running cost increases in delivering the service and maintain quality provision. This is applicable to all delivery from the beginning of the 2023/24 contract year.

Details of any transfers out of the 2024-25 Work-Based Learning Action to fund Degree Apprenticeships

19.87. No transfers are being actioned as part of the draft budget 2024-25 to support Degree Apprenticeships. For 2024-25, the HEFCW budget will transfer to the new Commission for Tertiary Education and Research and will prioritise funding for incumbent apprentices and apprentices on newly developed programmes, with funding being determined in preparation for the first supplementary budget 2024-25, with any transfer from the Work Based Learning Action agreed at that point.

Details of any funding utilised in 2023-24 and forecast to be used in 2024-25 to develop new apprenticeship frameworks and review existing apprenticeship frameworks.

19.88. The Welsh Government commissions new and revised apprenticeship frameworks via recognised Development Partners.

19.89. In order to ensure the apprenticeship, offer remains current and relevant to the needs of employers in Wales, £0.200m has been allocated in 2023-24 for the development of apprenticeship frameworks in Engineering & Advanced Manufacturing, Education & Public Services, Business & Management and Sports Development. This amount is based on expenditure in previous years.

19.90. In addition, recognised Development Partners are also able to request to develop and review frameworks. These are non-commissioned reviews but must be agreed by the Welsh Government prior to commencement. In 2024-24, the Welsh Government has agreed to the non-commissioned development and review of frameworks in Healthcare, Financial Services and Regulatory Compliance.

19.91. It is our intention to continue to develop and review the frameworks outlined above in 2024-25 and to also plan to commission the development and review of frameworks in the following sectors: Agriculture & Environment; Early Years Education and Playwork; Creative, Design & Media.

Details of all demand-management restrictions and actions to manage apprenticeship demand that are in-place, or will be introduced for the apprenticeship programme during 2024-25

19.92. A prime objective of the Welsh Government Apprenticeship Programme is responding to skills shortages and gaps in sectors critical to drive productivity and economic growth such as supporting our net zero ambitions, the foundational economy and public services.

19.93. Informed by Regional Skills Partnerships (RSPs), labour market intelligence (LMI) and interaction with sector bodies we are committed to increasing apprenticeship numbers, especially in sectors with skill shortages. We will do this by promoting the benefits of apprenticeships via a range of multi-media campaigns throughout the year which will target both individuals and employers by utilising channels and tactics informed by market intelligence and research.

19.94. We work with providers to effectively plan to meet employers skills priorities and shortages by putting in place interventions which include:

- responding to skills shortages and gaps in priority sectors critical to drive productivity and economic growth, supporting our net zero ambitions, the foundation economy and public services;
- prioritising and supporting young people into apprenticeships ensuring provision offers clear career pathways and sustained employment, supporting the Young Person's Guarantee; and
- accelerating the delivery of higher-level apprenticeships in STEM and technical areas.

19.95. Additionally, we expect providers to continue to enhance the employability of disadvantaged and under-represented groups and improve the availability and visibility of apprenticeships through the medium of Welsh and bilingually.

19.96. We expect providers to effectively plan and develop provision at a national and regional level to meet our objectives and delivery against our Programme for Government commitment to create 125,000 apprenticeships; placing quality at the core of delivery, building the prestige of apprenticeships via each of our objectives and supporting our drive for parity of esteem between vocational and academic provision where opportunity of choice is engrained in our education and skills system.

19.97. Informed by RSPs, LMI and interaction with sector bodies we have identified national sector priorities to support the delivery of our objectives:

- Health and Social Care & Early Years Care
 - Digital and Information Technology
 - Net Zero sectors and occupations, including energy, housing, renewables, and transport.
 -
- 19.98. STEM (Science, Technology, Engineering and Mathematics) and technical sectors and occupations remain a cross-cutting priority, supporting the broader priorities above.
- 19.99. Regarding Net Zero sector and occupations, we expect providers to focus on skills / jobs around four areas:
- New and emerging jobs that relate to the transition to net zero.
 - Displaced jobs as sectors transition.
 - Jobs needing enhanced skills or competencies.
 - Existing jobs needed in greater numbers.
- 19.100. Evidence suggests that these occupations are likely to be at level 3 and above in STEM and technical areas; RSP's employment and skills plans identify specific sectors and occupations where there are future skills needs.
- 19.101. We work with the network to effectively plan to meet our objectives and priorities, putting in place interventions including:
- increasing or migrating provision into priority, growth and emerging sector areas, for example, in digital and net zero related skills;
 - increasing the proportion of provision at level 3 and above;
 - using labour market information to support national, regional and local priorities; and
 - developing approaches that takes account of technological changes within industries.
- 19.102. Employees in the priority age group of 16-24 are eligible for all apprenticeships opportunities.
- 19.103. Our general approach is that employees (excluding disabled individuals) aged 25 plus are ineligible for a level 2 or 3 Apprenticeship if they have been employed for more than 12 months in the same job role and aim to undertake a generic framework. This helps ensure that entrants onto the programme are able to fully benefit from upskilling opportunities which the programme provides and enables Welsh Government deliver value for money. There is no employment length restriction in place for learners seeking to undertake a level 4-5 apprenticeship. We have also not restricted the availability of generic apprenticeships to those learners who are disabled or new to employment.
- 19.104. The Employer Incentive Scheme (EIS) focuses on helping disabled apprentices into work and training. EIS will help to increase the participation of this disadvantaged group and will help us achieve our target of eradicating the gap between the employment rate in Wales and the UK by 2050 with a focus on Fair Work and raising labour market participation of under-represented groups. In addition, we also provide in-work support for this cohort to ensure that they are adequately supported to complete their apprenticeship programme.
- 19.105. Welsh Medium / Bilingual provision is targeted, 50% of Welsh first language learners who commence an apprenticeship within the sectors of Health Care,

Construction and Agriculture are expected to undertake all or part of their apprenticeship in Welsh. We are working with Coleg Cymraeg Cenedlaethol to achieve the aims of Cymraeg 2050: A million Welsh speakers.

Regional Skills Partnerships

Details of the funding to be provided to each RSP and for what purpose

- 19.106. We are continuing to work with four Regional Skills Partnerships (RSPs) to identify regional and sub-regional skills priorities. RSPs are a pivotal component of the regional skills landscape, providing labour market intelligence to Welsh Government. They work closely with employers to identify employment and skills priorities. In addition, they are providing an additional focus on key policy areas such as Digital Skills, Net Zero Wales, Welsh Language, National Occupational Standards as well as strategic priorities for the further education sector and apprenticeship delivery.
- 19.107. Strengthening RSPs remains a Programme for Government commitment and we have increased their budget to £1.16m per annum (£0.290m per RSP) from 23-24. It is proposed to continue funding RSPs at the same level for 2024-25. We moved to a more strategic three-year Grant in Aid from 2022, in line with the EIS Committee recommendations, following their inquiry into RSPs. RSPs have delivered new three-year employment and skills plans which identify regional priorities for employability and skills. The plans identify key sectors where there are skill gaps in provision, skill shortages and recruitment difficulties experienced by employers. The plans also highlight workforce development opportunities associated with emerging technologies.
- 19.108. In addition, RSPs have been allocated an additional indicative budget £0.080m in 2024-25 (£0.020m per RSP) to conduct engagement with their delivery partners to help Welsh Government's understanding of the current marketplace in terms of projects and programmes to support young people and how projects can contribute to the Young Person's Guarantee.

Details of any other funding intended to support the operation of Regional Skills Partnerships but which is not allocated directly to them.

- 19.109. Welsh Government does not provide any other funding to support the operation of Regional Skills Partnerships.

Research, Development, and Innovation

Details of any funding during 2024-25 intended to resource Welsh Government's five priorities for research and innovation in Wales; including any funding aimed at ensuring Wales has a fair share of available research, development and innovation funding including any EU funding replacements and details of any funding during 2024-25 intended to resource the Innovation Strategy for Wales.

- 19.110. A new Innovation Strategy for Wales, Wales Innovates, supersedes the five priorities for research and innovation that were published in November 2021. Wales Innovates, launched in February 2023 sets out a strategic direction for RD&I activities through four mission areas, Economy, Education, Climate and Nature and Health and Wellbeing. The strategy details a strengthened relationship with Innovate UK, aimed at attracting greater investment into Welsh RD&I activities. A delivery plan to support implementation of the strategy was published in October 2023, setting out the key

actions Welsh Government intends to take, including a £30m fund (up to Mar 2025) to support a wide range of activities across the Innovation ecosystem.

19.111. Furthermore, Welsh Government Office for Science will investigate the potential for technological and industrial 'clusters' as committed to in our Innovation Deliver plan. This will inform potential actions to exploit export potential, attract inward investment and build proposals for investment in innovation assets, such as Public Sector Research Establishments (PSREs), independent 'Research Institutes' or industrial clusters, where appropriate. Again, this would be backed by wider Welsh Government programmes, such as Ser Cymru, and where relevant UK Government partnerships and programmes. Potential areas include medical radioisotopes, Agri-Tech, renewable energy and high value/advanced manufacturing.

19.112. The key to success is to create RD&I endeavours which not only deliver benefit to Welsh citizens, but deliver wider benefits to the UK and internationally, with the aim of attracting investment from UK Government, venture capitalists and world trading partners in lieu of the lost European Funding and addressing the historic RD&I underinvestment in Wales.

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

19.113. In line with the integrated approach to the development of the innovation strategy for Wales the budgets set out below, although sit across Ministerial portfolios, are delivered in a complimentary way often through co-funded activity across portfolios, or with the Innovation team supporting the delivery of wider policy objectives.

Education

19.114. The budget for RD&I for the education sector sits within the Minister for Education and Welsh Language portfolio. This is distributed via HEFCW (in the future CTER) to Universities in Wales for activities such as research infrastructure, engagement with businesses and project activity. HEFCW also funds the Wales Innovation Network which sits in Universities Wales which supports University collaboration and the sharing of resource.

Health and Social Care

19.115. The Minister for Health and Social Services sets an annual budget of £47m for Health and Care Research Wales (HCRW), and a further £12.8m per annum for innovation within health and social care sectors. This covers activity such as research activities, clinical trials. infrastructure and staff resource, and wider project activity – including partial funding for the SBRI Centre of Excellence that supports the wider public sector to undertake challenge led activity (also funded by ETC Innovation budget).

Climate Change

19.116. As part of the £30m for Innovation announced in June 2023 (£20m directly from the Business Innovation BEL 3742), £5m per annum (2023-24 and 2024-25) is set aside to support businesses to explore and adopt new technologies which supports an increase in the use of recycled and re-used content in products or components or to extend the lifetime of products/materials. This is delivered by the central innovation team through a range of grant funding and innovative procurement programmes. We are also supporting collaborative relationships

between industry and the NHS to increase the recycling and reuse of materials used within health and care.

19.117. These figures are WG budget figures only and do not include wider funding in this area through sources such as UK funding, or private sector matched funding.

Trade

Details of any funding support for trade including promotion, support for businesses or investment in infrastructure linked to trade

19.118. We have allocated £3.752m overall to support the Export, Trade and Inward Investment.

19.119. This budget includes £3.572m to deliver the Export Action Plan for Wales (see below) and £0.180m to support our efforts to promote Wales as a destination for inward investment, a key commitment in the International Strategy and the Economic Mission. This activity focusses on opportunity-led investment and on those segments of the economy where Wales can demonstrate international class capabilities including compound semiconductors, fintech, cyber security, marine energy, specific aspects of life science such as regenerative medicine, neuroscience and medtech; and next generation manufacturing particularly across the mobility agenda.

19.120. As part of this, an extensive engagement programme is being delivered with our own overseas offices, wider networks, critical industry clusters and stakeholders to raise the profile of investment opportunities in Wales. This includes event attendance and sponsorships, dedicated seminar activity, journalistic content creation and direct company engagements across the globe. Overall, this activity is vital for Wales to remain visible for commercial opportunities on the global stage; to generate new inward investment leads; to encourage visits from potential investors into Wales, and, ultimately, attract new international investment into Wales. Last year (2022/23), more than 3,000 jobs were created in Wales (up 66% on the previous year) because of inward investment to Wales.

The financial allocations to deliver the 'Export Action Plan for Wales'

19.121. The £3.572m funding allocated to deliver the Plan ensures we have a range of export programmes to support businesses on their export journey, from - inspiring businesses to export; building export capability; finding overseas customers; and accessing overseas markets. International trade continues to be impacted by the global trading landscape and wider geopolitical issues: while the latest provisional export statistics show the value of goods exports for Wales was £20.4 billion in the year ending June 2023, up £2.0 billion (11.1%) compared to the year ending June 2022; export volumes (Kg) decreased by 8.9% in the same period. This demonstrates the importance of providing comprehensive support to Welsh businesses to develop to drive further growth in Welsh exports.

Details of any funding during 2024-25 intended for development, construction and associated running costs of Border Control Posts in Wales

19.122. As stated in my paper to the ETRA Committee on 11 October 2023, the final Border Target Operating Model (BTOM) was published on 29th August 2023. My paper also explained that physical checks on goods imported from Ireland will come into effect

later, affecting west coast ports, including the three Welsh Border Control Posts at Holyhead, Pembroke Dock and Fishguard.

- 19.123. These physical checks will not begin in Wales before 31 October 2024 and I am determined to give businesses reasonable notice to prepare. The start date has not yet been agreed, and there remains a substantial amount of work to do with the UK Government and others to implement a coherent model for all the Great Britain West coast.
- 19.124. The Welsh Government believes the BCP facilities should be funded in full by the UK Government as the costs have arisen because of the UK Government's EU Exit policy, to ensure there is no financial burden on the Welsh Government.
- 19.125. The Chief Secretary to the Treasury has committed to fund necessary build costs. However, the UK Government has recently rejected funding the transitional costs to reach steady state, including the costs to set up the arrangements. The UK Government has also rejected meeting the additional Welsh Government staff costs that need to be incurred to deliver this UKG led initiative and over the protracted length of time given UKG delays. Welsh Government believes these costs should also be met and were a condition of us signing up to the BTOM. We are continuing our discussions with HM Treasury and we are expecting resolution shortly. In the meantime, the Welsh Government has made provision in our 2024-25 budget of £6.4m for these revenue costs.
- 19.126. We have spent £9.3m in total up to 31 March 2023 on the Borders Programme, which includes a UK Government contribution of £3.3m for 2022-23. Based on current assumptions for delivery, the projected total further spend over the current (2023-24) and next financial year (2024-25) is not expected to exceed £70m. On our current planning assumptions, we anticipate that the programme's costs cease after 2024-25.
- 19.127. The end date for the programme will become clearer once the date for physical checks has been agreed.

Summary

- 19.128. The Economy MEG Draft Budget for 2024-245 is presented to the Committee for consideration.

Vaughan Gething Minister for Economy

^[1] Research undertaken by SKOPE and Blavatnik School of Government, University of Oxford, '[what accounts for changes in the chances of being NEET in the UK?](#)' (exter

^[1] <http://www.learningandwork.wales/resource/understanding-the-potential-impact-of-coronavirus-in-wales/>

^[2] Youth Commission (2019): Fit for Purpose Education and Employment Support for Young People https://www.learningandwork.org.uk/wp-content/uploads/2019/11/YC_Current-system_Report5_FINAL.pdf

ANNEX A – Economy MEG Budget Expenditure Lines

Budget Expenditure Line (Revenue)	2023-24 Final Budget Feb 2023 Restated	2024-25 Indicative Final Budget Feb 2023 Restated	Revisions to the 2024-25 Indicative Allocations	2024-25 Other Changes	2024-25 Draft Budget December 2023
	£000s	£000s	£000s	£000s	£000s
Business & Regional Economic Development	9,460	9,460	-2,078	0	7,382
Business Wales	26,559	22,463	-1,537	0	20,926
Tech Valleys	2,025	2,025	-267	0	1,758
Valleys Task Force	100	100	0	0	100
Export, Trade and Inward Investment	4,192	4,192	-440	0	3,752
Freeports	0	0	0	0	0
Action: Business Wales / Entrepreneurship and Regional Economy	42,336	38,240	-4,322	0	33,918
Property Infrastructure	6,868	6,868	-1,600	0	5,268
Public Sector Broadband Aggregation	11,500	11,500	0	0	11,500
ICT Infrastructure Operations	1,527	1,527	-659	0	868
ICT Infrastructure Operations - Non Cash	2,309	2,309	0	0	2,309
Action: Economic Infrastructure Development	22,204	22,204	-2,259	0	19,945
Centre for Digital Public Services	4,794	4,794	-504	0	4,290
Action: Total Delivering the Digital Strategy	4,794	4,794	-504	0	4,290
Healthy Working Wales	0	0	0	100	100
Corporate Programmes & Services	671	671	-159		512
Strategic Business Events and Communications	200	200	-35	-100	65
Action: Corporate Programmes	871	871	-194	0	677
Apprenticeships	138,898	143,898	-5,250	0	138,648
Action: Apprenticeships	138,898	143,898	-5,250	0	138,648
Employability Including Young Persons Guarantee	83,291	98,333	-19,016	18,034	97,351
Employability Including Young Persons Guarantee - Non cash	1,400	1,400	0	0	1,400
Communities for Work	23,034	18,034	0	-18,034	0
Communities for Work - Non cash	41	0	0	0	0
Action: Employability Including Young Person Guarantee	107,766	117,767	-19,016	0	98,751
Business Innovation	604	300	-61	0	239
Action: Innovation	604	300	-61	0	239
Science	1,200	1,200	-268	0	932

Economy, Trade and Rural Affairs Committee
Draft Budget 2024-25
Evidence Paper - Annexes

Action:	Science	1,200	1,200	-268	0	932
	Tourism	10,630	10,630	-1,504	0	9,126
	Events Wales	4,666	4,666	-1,001	0	3,665
Action:	Promote and Protect Wales' Place in the World	15,296	15,296	-2,505	0	12,791
	Arts Council of Wales	33,314	33,999	-3,570	0	30,429
	Arts Council of Wales - Non cash	119	119	0	0	119
	Amgueddfa Cymru - National Museums of Wales	27,222	28,496	-2,992	0	25,504
	Amgueddfa Cymru - National Museums of Wales - Non cash	2,400	2,400	0	0	2,400
	National Library of Wales	11,862	12,394	-1,301	0	11,093
	National Library of Wales - Non cash	1,250	1,250	0	0	1,250
	Support for Local Culture and Sport	6,429	8,583	-1,915	0	6,668
	Creative Wales	7,119	7,169	-753	0	6,416
Action:	Support for Culture and the Arts	89,715	94,410	-10,531	0	83,879
	Cadw	9,206	9,513	-2,123	0	7,390
	Cadw - Non cash	5,480	5,480	0	0	5,480
	National Botanic Garden of Wales	587	587	-62	0	525
	Royal Commission on the Ancient and Historical Monuments for Wales	1,727	1,815	-402	0	1,413
	Royal Commission on the Ancient and Historical Monuments for Wales - Non cash	134	134	0	0	134
Action:	Support the Historic Environment	17,134	17,529	-2,587	0	14,942
	Sport Wales	23,065	23,439	-2,461	0	20,978
	Sport Wales - Non Cash	779	779	0	0	779
Action:	Sports and Physical Activity	23,844	24,218	-2,461	0	21,757
	Programme Support	1,707	1,707	0	0	1,707
Action:	Managing European Funding	1,707	1,707	0	0	1,707
	Border Controls	0	0	26	6,400	6,426
Action:	Border Controls	0	0	0	6,400	6,426
MEG:	ECONOMY	466,369	482,434	-49,932	6,400	438,902

Economy, Trade and Rural Affairs Committee
Draft Budget 2024-25
Evidence Paper - Annexes

Budget Expenditure Line (Capital)		2023-24 Final Budget Feb 2023 Restated	2024-25 Indicative Final Budget Feb 2023 Restated	Revisions to the 2024-25 Indicative Allocations	2024-25 Other Changes	2024-25 Draft Budget December 2023
		£000s	£000s	£000s	£000s	£000s
Business & Regional Economic Development		26,850	22,650	0	2,000	24,650
Business & Regional Economic Development - Repayment		-13,736	-1,603	0	0	-1,603
Tech Valleys		5,000	5,000	0	0	5,000
Freeports		0	0	0	0	0
Action:	Business Wales / Entrepreneurship and Regional Economy	18,114	26,047	0	0	26,047
Business Finance Funds		10,000	15,000	0	0	15,000
Business Finance Funds – Repayment		0	-46,400	0	0	-46,400
Action:	Development Bank of Wales	10,000	-31,400	0	0	-31,400
Property Infrastructure		10,000	10,000	0	0	10,000
Property Infrastructure - Repayment		-290	-290	0	0	-290
ICT Infrastructure operations		-26,500	20,000	0	0	20,000
Action:	Economic Infrastructure Development	-16,790	29,710	0	0	29,710
Employability Including Young Persons Guarantee		2,000	2,000	0	0	2,000
Action:	Employability Including Young Persons Guarantee	2,000	2,000	0	0	2,000
Business Innovation		5,000	10,000	0	0	10,000
Action:	Innovation	5,000	10,000	0	0	10,000
Science		5,000	5,000	0	0	5,000
Action:	Science	5,000	5,000	0	0	5,000
Tourism		5,000	5,000	0	0	5,000
Action:	Promote and Protect Wales' Place in the World	5,000	5,000	0	0	5,000
Arts Council of Wales		400	400	0	0	400
Amgueddfa Cymru - National Museums of Wales		5,000	5,000	0	0	5,000
National Library of Wales		2,000	2,000	0	0	2,000
Support for Local Culture and Sport		21,500	24,700	0	0	24,700
Creative Wales		5,000	5,000	0	0	5,000
Action:	Support for Culture and the Arts	33,900	37,100	0	0	37,100
Cadw		10,000	10,000	0	0	10,000
National Botanic Garden of Wales		200	200	0	0	200
Royal Commission on the Ancient and Historical Monuments for Wales		50	50	0	0	50
Action:	Support the Historic Environment	10,250	10,250	0	0	10,250
Sport Wales		8,016	8,016	0	0	8,016
Sports Capital Loans Scheme		-1,227	-1,231	0	0	-1,231

Economy, Trade and Rural Affairs Committee
Draft Budget 2024-25
Evidence Paper - Annexes

Action:	Sports and Physical Activity	6,789	6,785	0	0	6,785
MEG:	ECONOMY	79,263	100,492	0	2,000	102,492

ANNEX B - Action level commentary within the MEG¹

Resource

Business Wales / Entrepreneurship and Regional Economy Action

- There has been a net reduction to the Action of £4.322m from the indicative final budget 2024-25, taking the total funding for 2024-25 to £33.918m. The net reduction relates to reprioritisation of funding across a number of BEL's within the Action. A reduction of £2.078m from the Business and Regional Economic Development BEL 3751, predominately due to a reduced contribution to the Life Science Hub and Cwmni Eginio. A reduction of £1.537m has been taken from the Business Wales BEL which will be achieved by stopping bespoke Foundation Economy funding which is mainstreamed into Business Wales. A reduction of £0.257m has been applied to the Tech Valley's BEL and £0.440m to the Export Trade & Investment BEL 3754. These reductions reflect the Economy MEG's contribution towards the wider Welsh Government reprioritisation exercise.

Business & Regional Economic Development BEL

- Funding within this BEL supports partnerships, engagement and initiatives to progress the ambitions in Economic Mission The [Mission](#), and employability for inclusive growth and building the economy for long term sustainability.
- It also supports ARFOR 2 with £11m funding over 3 years, £3m 2022-23 and £7m 2024-25. The programme will be delivered by local authority partners which will help strengthen the economic resilience of Welsh language strongholds and is part of the Co-operation Agreement with Plaid Cymru. The main objective of Arfor 2 is to support the communities that are strongholds of the Welsh language to flourish through economic interventions which will also contribute to increasing opportunities to see and use the Welsh language daily.

Business Wales BEL

- The budget supports youth entrepreneurship and the young person's guarantee, start-ups, micro-businesses, SMEs, disability champions, social enterprise and responsible business practices. The services support those with hidden barriers and targeted support will continue to be delivered to support such as female and youth entrepreneurs and BAME groups.
- The budget also includes provision of £1.163m for the foundational economy enabling jobs at the heart of local communities across sectors such as care and health services; food; housing; energy; tourism; construction and retail.

Tech Valleys BEL

¹ Actions: Support for Culture and Arts, Support the Historic Environments, Sport and Physical Activity are covered by Culture, Communications, Welsh Language, Sport and International Relations Committee

- The budget supports the Welsh Government's initiative of a £100m commitment over 10 years to create 1,500 sustainable jobs focused on Blaenau Gwent and hinterland by capitalising on opportunities arising from the fourth industrial revolution, encouraging the adoption of digital technologies and developing high value advanced technologies that support cutting edge industries. Most recently investments were announced which supports the Mission: [Robotics workshop](#) and the [Resilientworks](#).

Valleys Task Force BEL

- Funding maintains an annual revenue budget of £0.1m to support the capital programme to deliver Our Valleys Our Future programme.

Export, Trade and Inward Investment BEL

- Enables funding for the delivery of the Export Action Plan for Wales, to drive long term growth in Welsh exports; and, activity to support the promotion of Wales as a location for inward investment.

Freeports BEL

- The Freeports programme includes some costs that are met by the UK Government and others that Welsh Government is expected to meet. The UK Government is providing £2m of capacity funding for the prospective Freeports (£600k in 2023/24 and an expected £1.4m in 2024/25). This funding is paid to the Freeports by Welsh Government and reimbursed by the UK Government via SUPS.
- Direct costs for Welsh Government to date include staff in Welsh Government, legal support and technical advice. Future costs will also include for monitoring and evaluation and the costs associated with the use of devolved levers in Welsh Freeports. The costs associated with the use of devolved levers, such as Non-Domestic Rates relief and retention, are not yet known. These are expected to become clearer as prospective Welsh Freeports submit their Outline Business Cases in December.
- The UK Government announced in the Autumn Statement an extension to the Freeports Programme in England to 10 years. The Welsh Government is working with the UK Government to assess the implications of an extension for devolved levers and to consider whether this can be applied within Wales.

Economic Infrastructure Development Action

- The Action has decreased by £2.259m compared to the indicative 2024-25 Final Budget restated. The reduction is predominantly due to a reduction in the Property Infrastructure BEL of £1.6m. It is hopeful that this cut will be absorbed by an increase in property sales during the financial year. A reduction of £0.659m has been applied to the ICT Infrastructure Operations

BEL with likely impact being an erosion of Welsh Government's ability to conduct evidence gathering activities, often typically achieved through commissioning external consultancy support.

Property Infrastructure BEL

- Funding in this BEL ensures adequate supply of employment sites and premises to secure competitive advantage in attracting, retaining and growing businesses in Wales. The revenue budget ensures that Welsh Ministers meet their legal and statutory obligations as landlords and land owners in managing the Economic development property portfolio, including the management of St Athan and the unitary payments under the Lloyd George Avenue PFI scheme. The budget is supplemented by other income, primarily rental receipts and profits from disposing of land and buildings.

Public Sector Broadband Aggregation BEL

- Funding in this BEL is for the PSBA Contract which underpins the digital connectivity service used by over 120 public sector organisations across Wales. The business critical PSBA network service has over 5,000 connections and was established in 2007.

ICT Infrastructure Operations BEL

- Funding in this BEL supports the delivery of Digital Infrastructure throughout Wales. The revenue budget also ensures that Welsh Ministers can review and monitor Digital policy decisions made by the UK Government, to ensure that Welsh interests are protected.

ICT Infrastructure Operations - Non Cash BEL

- Funding in this BEL is for the depreciation charges of the Welsh Government owned Fibrespeed network in North Wales.

Delivering the Digital Strategy

There has been a cut to the Action of £0.504m from the indicative final budget 2024-25, taking the total funding for the Action to £4.290m. The reduction relates to a cut to the budget for Centre for Digital Public Services.

Centre for Digital Public Services BEL

Funding within this BEL relates to the budget for the Centre for Digital Public Services (CDPS) which underpins mission 1 of the Digital Strategy for Wales. The CDPS are responsible for raising digital capability across the public sector, delivering standards and guidance and working with other organisations to deliver digital transformation.

Corporate Programmes Action

- There has been a net reduction to the Action of £0.194m from the indicative final budget 2024-25, taking the total funding for the Action to £0.677m for financial year 2024-25. The net reduction relates to a reduction of £0.159m to the Corporate Programme & Services BEL 4023 and £0.035m to the Strategic Business Events and Communications BEL. These reductions relate to the Economy MEG's contribution to support the wider Welsh Government reprioritisation exercise.

Healthy Working Wales BEL

- The Healthy Working Wales budget (HWW) delivers the national programme which supports employers to create healthier work and workplaces for the benefit of their employees and the wider community. HWW is jointly funded by the Department for Health and Social Services and the Department for Economy. Officials from both departments work closely to maximise the health and economic benefits of the programme. £0.100m has been allocated to support this activity in financial year 2024-25 from a transfer from the Strategic Business Events and Communications BEL.

Corporate Programmes & Services BEL

- The Corporate Programmes annual budget primarily funds the business customer relationship management system, which was vital during the pandemic to enable the Welsh Government to process Economic Resilience Fund (ERF) grants. The budget also has a small provision for evaluations.

Strategic Business Events and Communications BEL

- The Communications budget of £0.065m each year supports business events and strategic engagement.

Apprenticeships Action

- There has been a net decrease to the Action of £5.250m from the indicative final budget 2024-25, taking the total funding to £138.648m in 2024-25. The net decrease relates to a 3.65% budget cut to the apprenticeship programme and a 24% cut to the contract value. The cut relates to the Economy MEG's contribution to the wider Welsh Government reprioritisation exercise.

Apprenticeships BEL

- The revenue budget supports the delivery of the apprenticeship programme. Apprenticeships is an employed status programme which provides transferable, upskilling training via a network of Further Education and private training providers. Apprenticeships is an all-age Programme which prioritises learners between the ages of 16 and 24, those new to employment and delivery in those sectors which

most benefit the Welsh economy such as STEM, health and social care and supports our net-zero ambitions.

Employment and Skills Action

- There has been a net decrease to the Action of £19.016m from the final indicative budget, taking the total funding to £98.751m in 2024-25. The net decrease relates to the Economy MEG's contribution to the Welsh Government reprioritisation exercise.

Employability Including Young Persons Guarantee BEL

- The budget funds the development and delivery of strategies, policies and programmes which assist people to access, return to, remain in, and progress at work through skills and training support; underpinning the PFG commitment to deliver the Young Persons Guarantee, giving everyone under 25 the offer of work, education, training, or self-employment. The budget also supports the commitments to build on the success of the Wales Union Learning Fund; support the Wales TUC proposals for union members to become Green Representatives in the workplace and strengthen Regional Skills Partnerships. It facilitates a direct response to assist the growth of individual businesses through workforce development and provides sector-based, employer-led and wider solutions to respond to identified skills needs such as digital and net zero in Welsh Government priority areas which are important for the economy of Wales.
- The BEL also provides funding for Careers Wales which delivers a national, all age, impartial and bilingual careers information, advice and guidance (CIAG) service in Wales.
- There has been a within MEG transfer in of £18.034m to this BEL because of merging the Communities for Work BEL into this BEL. The Communities for Work Plus (CfW+) is Welsh Government's primary means of providing employability support to those most disadvantaged. The Communities for Work (CfW) and Parents, Childcare and Employment (PaCE) programmes closed in October 2023. Both programmes have provided community based, intensive mentoring and training to young people aged 16 to 24 who are NEET, and economically inactive and long-term unemployed individuals with complex barriers, aged 25 and over.

Employability Including Young Persons Guarantee - Non cash BEL

- In addition to the revenue budget above, there is an annual non-cash depreciation budget of £1.4m for Careers Wales.

Innovation Action

- There has been a decrease of £0.061m change from the indicative final budget 2024-25. The total funding stands at £0.239m in 2024-25. The reduction relates to the Economy MEG's contribution to support the wider reprioritisation exercise across WG.

Business Innovation BEL

- The BEL funds the financial support for Research, Development & Innovation (R&DI) schemes, including the SMART Flexible Innovation Support scheme, Small Business Research Initiative (SBRI) scheme and Collaborative Research Innovation Support Programme (CRISP). Despite the cessation of EU income, our priorities continue to be:
 - Deployment of research, development and innovation capacity to support our Programme for Government, focusing on climate change, environmental recovery and decarbonisation;
 - Building further on Welsh research, development and innovation capacity in the Health and Life Sciences;
 - Growth and skill development in the established research and innovation base.

Science Action

- There has been a net reduction to the Action of £0.268m from the indicative final budget 2024-25 taking the total funding per annum to £0.932m. The net reduction relates to reprioritisation of £0.268m funding to support wider Welsh Government priorities and will not impact on maintaining my commitment to activity in this area.

Science BEL

- The revenue budget includes re-establishing a new National Science Academy grant programme designed to support Science, Technology, Engineering and Maths (STEM) studies, activities and promote careers choices in science throughout Wales. This budget also contributes to Welsh Government's Office for Science promotion and engagement activities including stakeholder engagement seminars, public attitude Science surveys, British Science Week, Science in the Senedd, Welsh Joint Education Committee (WJEC) Innovation and CREST Awards, LSW Medals, commissioned science performance reviews and promotion of diversity & gender equality in R & I and Science, Technology, Engineering and Maths (STEM).

Promote and Protect Wales' Place in the World Action

- There has been a net reduction to the Action of £2.505m from the indicative final budget 2024-25, taking the total funding per annum to £12.791m. The net reduction relates to reprioritisation of funding of £1.504m from the Tourism BEL which relates to reducing activity including domestic and international tourism campaigns, trade and export marketing, nation and sport diplomacy marketing

and £1.001m from the Events Wales BEL 4231 which include the stopping the Richard Burton Centenary.

Tourism BEL

- Funding supports the tourism development and marketing investment which is aligned to our overall strategy - [Welcome to Wales-Priorities for the Visitor Economy 2020-2025](#) - to grow tourism for the good of Wales, delivering economic, environmental, and social benefits.

Events Wales BEL

- In line with the new [The National Events Strategy for Wales 2022 to 2030 | GOV.WALES](#) the annual budget will continue to support Wales-grown sports, arts and business events as well as looking to the opportunities offered by international events, such as the joint UK and Ireland 2028 Euros bid. We will invest to support events that deliver economic, social and cultural benefits and legacies in line with the new strategy.
- We will continue to aim for a full geographic and seasonal spread of events around Wales, including supporting development of event-relevant infrastructure, and support the growth of a strong and sustainable sector in Wales by investing in skills and supply chain development.

Managing European Funding Action

- There has been no change to this Action from the indicative final budget for financial year 2024-25 published in February 23. The total funding per annum is maintained at £1.707m.

Programme Support BEL

- The annual budget of £1.7m delivers the Wales European Funding Office Technical Assistance EU funded operations.

.Borders Control Action

- There has been an increase of £6.426m in this Action from the indicative final budget for financial year 2024-25. The increase is due to allocation received from central reserves to support the revenue element of the borders programme.

Borders Control BEL

- HM Treasury has agreed to fund the capital costs to build the three Border Control Posts in Wales (Holyhead, Fishguard and Pembroke Dock), The BEL funds the revenue costs which HM Treasury has refused to fund. These include start-up costs (recruitment, training etc) for the local authorities before charges are introduced, and Welsh Government's own programme costs.

Capital

Business Wales / Entrepreneurship and Regional Economy Action

- There has been an increase of £2m from the indicative final budget for financial year 2024-25 published in February 23. The increase is due to an additional capital financial transaction to support the Cadence project. The total funding per annum is £28.047m.

Business & Regional Economic Development BEL

- Funding supports the capital funding available for the Economy Futures Fund and other strategic developments in supporting businesses. The Development Bank of Wales (DBW) also improves the ability of businesses in Wales to access finance and supports the creation and safeguarding of jobs with designated Funds which aim to unlock potential in the economy of Wales by increasing the provision of sustainable, effective finance in the market.

Business & Regional Economic Development – Repayment BEL

- Repayable Funding supports the capital funding available for the Economy Futures Fund and other strategic developments in supporting businesses.

Tech Valleys BEL

- This BEL supports the Welsh Government's Tech Valleys Programme for Government commitment - a ten-year, £100 million commitment to create 1,500 sustainable jobs focused on Blaenau Gwent and hinterland by capitalising on opportunities arising from the fourth industrial revolution, encouraging the adoption of digital technologies and developing high value advanced technologies that support cutting edge industries.
- To-date, Tech Valleys investment has helped created 298,000 sq. ft. of new and refurbished floor space, enabling 600 potential jobs. It is supporting resilience, efficiency and the up-take of technology in small and medium sized businesses and raising awareness of STEM-related careers and promoting the take-up of STEM subjects at school and post 16. These figures will continue to grow as project currently in development come to fruition.
- One of our biggest investments through the Tech Valleys Programme is over £16 million for the establishment of the Thales Ebbw Vale Technology Campus – a partnership between the Welsh Government, academia, business and Thales UK Ltd. The campus provides world-class, cutting-edge facilities which research solutions into the cyber resilience of critical national infrastructure and is a key economic development and growth catalyst project in South Wales.

Freeports BEL

- The Freeports programme includes some costs that are met by the UK Government and others that Welsh Government is expected to meet. The UK Government is providing £2m of capacity funding for the prospective Freeports (£600k in 2023/24 and an expected £1.4m in 2024/25). This funding is paid to the Freeports by Welsh Government and reimbursed by the UK Government via SUPS.
- Direct costs for Welsh Government to date include staff in Welsh Government, legal support and technical advice. Future costs will also include for monitoring and evaluation and the costs associated with the use of devolved levers in Welsh Freeports. The costs associated with the use of devolved levers, such as Non-Domestic Rates relief and retention, are not yet known. These are expected to become clearer as prospective Welsh Freeports submit their Outline Business Cases in December.
- The UK Government announced in the Autumn Statement an extension to the Freeports Programme in England to 10 years. The Welsh Government is working with the UK Government to assess the implications of an extension for devolved levers and to consider whether this can be applied within Wales.

Development Bank of Wales Action

- There has been no change from the indicative final budget published in February 23 for financial year 2024-25 the total funding allocated is £-31.4m in 2024-25.

Business Finance Funds BEL

- Funding within this BEL is to support The Development Bank of Wales (DBW) which improves the ability of businesses in Wales to access finance and supports the creation and safeguarding of jobs with designated Funds which aim to unlock potential in the economy of Wales by increasing the provision of sustainable, effective finance in the market. The Development Bank of Wales is well placed to help Welsh businesses through, and to recover from, the pandemic and access finance they need to start up, strengthen and grow. It can provide loans from £1k right up to £10m, as well as mezzanine, and equity funding; and helps businesses find the right finance partner to leverage in private finance with its own gap finance when necessary.

Business Finance Funds – Repayment BEL

- A repayment budget of £-46,400m is maintained as part of the 2024-25 budget. The repayment relates to capital FT payments.

Economic Infrastructure Development Action

- There has been no change from the indicative final budget 2024-25. The total funding has been maintained at £29.710m.

Property Infrastructure BEL

- The capital budget is supplemented by receipts from land and property sales. This enables delivery of modern sites and buildings that are capable of meeting companies' timescales for occupation to provide Wales with a real competitive advantage over other locations. All direct build commercial projects undertaken will aim to achieve a Net Zero carbon in use standard and the Welsh Government's Sustainable Buildings Policy will apply to projects delivered in partnership with others.

Property Infrastructure – Repayment BEL

- Property Infrastructure financial transaction repayments began in 2022-23 and will continue until 2038-39.
- Repayments relate to £8.950m funding issued between 2015-16 and 2018-19. Funding of £2.750m was issued under the Property Development Fund £2.750m in 2015-16 and £6.200m was awarded to Swansea Council for retail and leisure purposes (£5.500m in 2017-18 and £0.700m in 2018-19). Property Infrastructure financial transaction repayments began in 2022-23 and will continue until 2038-39.

ICT Infrastructure Operations BEL

- The capital budget supports schemes to build and deliver digital infrastructure to connect homes and businesses across Wales. Whilst the responsibility for addressing telecommunications issues in Wales is not devolved to Welsh Ministers support provided by the Welsh Government means that homes and business are able to access fast and reliable broadband as quickly as possible.

Employability Including Young Persons Guarantee Action

- There has been no change from the indicative final budget 2024-25 budget. The annual capital investment of £2m supports the Careers Wales activity for IT and estates strategy to align to [Future Wales: The National Plan 2040](#). Strategic environmental development and sustainability will be built into the new spatial strategy with a focus on the national and regional growth areas through adopting the 'Town centre first' approach.

Innovation Action

- There has been no change to the capital funding allocated within this Action compared to the indicative amount allocated as part of the 2023-24 draft budget published in February 23. The total funding is £10m in 2024-25.

Business Innovation BEL

- Financial support for Research, Development & Innovation (R&DI) schemes, the SMART suite of programmes, Smart Business Research Initiative (SBRI) Accelerator and Collaborative Innovation Support Programme (CRISP), despite European funding ending in 2023/24, our priorities continue to be:
 - Deployment of research, development and innovation capacity to support our Programme for Government, focusing on climate change, environmental recovery and decarbonisation;
 - Building further on Welsh research, development and innovation capacity in the Health and Life Sciences;
 - Developing a cross-Welsh Government innovation strategy for growth and skill development in the established research and innovation base.

Science Action

- There has been no change from the indicative final budget published in February 23 for financial year 2024-25 to this Action. Funding has been maintained at £5m for financial year 2024-25.

Science BEL

- The capital budget continues the internationally recognised Sêr Cymru programme that helps maximise the beneficial impacts of research expertise, specialist innovation facilities and supply of talented researchers. This programme (highlighted in Nov 2021 by Welsh Government as one of the five 5 R,D& I priorities) has already helped build a depth of researchers and science infrastructure in Wales which did not exist previously and contributed to improving Wales science and research performance over the past decade.

Promote and Protect Wales' Place in the World Action

- There has been no change from the indicative final budget published in February 23 for financial year 2024-25. We have maintained our investment in this Action with the total funding for financial year 2024-25 at £5m.

Tourism BEL

- The planned annual capital investment of £5m in high quality visitor experiences and a Brilliant Basics fund for small scale tourism infrastructure improvements. This allocation is available alongside the Wales Tourism Investment Fund, which is delivered in partnership with the Development Bank of Wales.

Annex C – Employability Programme Details

ReAct+

ReAct+ is a grant funded programme which has a budget of £3.131m in 2024-25. The ReAct+ adult employability programme launched on 6 June 2022. It offers individualised support to unemployed adults 18+; there is no upper age limit. Support is available for participants who are affected by redundancy, or short term unemployed, or 16-24 year olds and NEET. It also supports ex-offenders serving their sentences in the community.

The programme delivers vocational training, employer recruitment support, employer training support as well as support for childcare, personal development support and costs such as travel. The Welsh Government does not contract with any training providers and participants identify the most appropriate training provider.

JGW+

Jobs Growth Wales+ launched in April 2022 and is a fundamental part of the new Young Persons Guarantee. JGW+ provides a holistic, tailored package of support for young people who are, or who are at risk of becoming, NEET. In 2024-25 it is expected that £29.144m will be allocated to providers as detailed below to deliver the programme. The programme focuses on 16-19 year olds who are not yet job ready, helping them to reach that stage, as well as young people who need extra support to help them overcome barriers to employment and training, including mental health and wellbeing.

JGW+ is contracted by tender; the contracts have been issued to the following Contractors under a Framework agreement within each Regional Lot:

• Region	Contractor
North Wales	Grŵp Llandrillo Menai (GLLM) Consortium
	Coleg Cambria
	ACT Ltd
South West & Mid Wales	Pembrokeshire College
	ITEC Training Solutions
	ACT Ltd
South Central Wales	ACT Ltd
	ITEC Training Solutions
South East Wales	ACT Ltd
	ITEC Training Solutions

Communities for Work+

In 2024-25 the Communities for Work Plus (CfW+) available budget is £16.834m, The programme provides intensive community-based mentoring and training to a combined total of over 52,000 individuals with complex barriers to employment, of

which over 22,000 have entered employment of more than 16 hours a week. It is delivered through all 22 Local Authorities.

Flexible Skills Programme (FSP)

FSP is a grant funded programme which has a budget of £1.3 million in 2024-2025. The Programme can support, via a 50% contribution, eligible internal and external training delivery costs and training materials aimed at all private and third sector employers in Wales, with £500k of the budget allocated to Airbus in 2024-25.

The Programme consists of two distinct strands;

- FSP Business Development Programme is positioned to support significant employer-led business development projects, which are expected to result in business expansion and major investment leading to high quality job creation.
- FSP Partnership Projects are designed to help drive Wales' wider skills economy, focusing on priority skills needs identified by Welsh employers and industry representative bodies. The PP strand currently consists of 6 separate projects: Net Zero Skills, Advanced Digital; Advanced Engineering and Manufacturing; Creative; Export; Tourism and Hospitality.

The Welsh Government does not contract with any training providers, and it allows employers to identify the most appropriate training provider.

Document is Restricted

Draft Budget - Apprenticeship Briefing

December 2023

Introduction

20 Dec, 2023

Welsh Government decision to reverse a commitment¹ 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.

- Our initial analysis shows 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.
- The apprenticeship contract year runs from August – July and as normally an apprenticeship course is studied over more than one year. Apprenticeship providers must therefore prioritize those learners already in learning, and so a funding reduction of this size will have a **disproportionate impact on the number of new apprentices** able to start from August 2024.
- The Welsh Government have highlighted² that they will **fail to hit their apprenticeship target** of 125,000 apprentices during this Senedd term. And 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.
- The **reductions would fall disproportionately on young people (16-24)**, and women, as in 2021/22 56% of apprentices were female.

¹ <https://www.gov.wales/sites/default/files/publications/2023-02/ministers-written-evidence-to-senedd-scrutiny-committees-2023-2024-v1.pdf> page 137

² <https://business.senedd.wales/ieListDocuments.aspx?CId=738&MIId=13575&Ver=4>

Impact on the Economy

- The Director of CBI Wales, Head of Wales, FSB, Membership Director – Wales, Make UK and Head of the CIPD in Wales have signed an open letter³ outlining the devastating impact of the cuts and that the demand for apprenticeships remains strong, from learners and employers, and they urge Welsh Government to reconsider and provide the necessary transition funding from European funds to benefit learners, skills development, productivity, and business growth.
- The Welsh Government’s own evaluation of apprenticeships in 2021 underscored the critical role of the programme in fostering economic growth and its positive impact in terms of ***“raising the skills levels of people who have low or no skills and increasing the number of people in the workforce who possess job-specific skills”***
- The evidence highlights the significant impact on apprentices’ income, with an impact equivalent to an increase of £7,866 in earnings in the first year after completing their apprenticeship alone⁴.
- Welsh Government has launched its new Economic Mission⁵, with an emphasis on supporting key sectors to grow and prioritising young people. At the same time, we are expecting significant cuts to be made to the flagship apprenticeship programme, which will cut off opportunities for thousands of young people across Wales and risk new business investment. An initial analysis indicates.
- Taken together with proposed reductions to the part-time further education (FE) allocation and to Personal Learning Accounts, the cuts to the apprenticeship budget will directly impact on the support available for employers to be able to upskill their workforce and to grow their businesses.
- Given the operating context of apprenticeship providers, the proposed cuts mean they will need to prioritise their provision based on existing commitments to employers. It is likely that the areas of specialist and niche provision, which have been costly to develop and maintain, would be the first to be reduced, it will also disincentive

³<https://www.colleges.wales/image/documents/Budget/2023%2012%2018%20Open%20letter%20from%20Employer%20Reps%20Eng.pdf>

⁴ [Evaluation of ESF funded Apprenticeships 2015 to 2019: Final Report](#) (Welsh Government, 2021)

⁵ <https://www.gov.wales/priorities-stronger-economy-html>

ColegauCymru

Draft Budget briefing for Senedd Members

providers to develop new routes such as those Green Skills required to support the transition to net zero, as providers look to protect core employers as far as possible, many of whom would be apprenticeship levy paying employers, and / or SMEs operating in local, national, and regional priorities.

- The proposed cuts come on top of the recent £17.5m reduction in the apprenticeships budget, which was linked to a perceived lack of demand for apprenticeships from employers. This is simply not the case. There has been no reduction in demand for new apprenticeship starts, with Welsh Government published data showing an increase in apprenticeships starts in the first half of 2022/23, compared to the same period a year earlier.⁶
- There was a programme underspend in 2022/23, which was a legacy of the pandemic, business decisions because of Brexit and inflationary pressures and impacts of changes in the qualifications systems – mainly construction and the built environment, and health and social care sectors, both of which draw heavily on the apprenticeship budget. In short, there is no lack of demand from employers for apprenticeships and now is not the time to reduce funding even further.
- In fact, we expect a significant increase in demand from employers in 2023/24 which, if we could support, reflects well on the outlook for the Welsh economy. A 2021 Welsh Government evaluation underscored the critical role of apprenticeships in fostering economic growth and their positive impact in terms of “raising the skills levels of people who have low or no skills and increasing the number of people in the workforce who possess job-specific skills.” A recent [report from the owner of Screwfix and B&Q, Kingfisher Plc](#), showed that the UK is set to lose out on £98billion of growth by 2030 due to a shortage of tradespeople.

Impact on Sustainability and Net Zero

- The Welsh Government produced their green skills plan in February, 2023 ‘Stronger, fairer, greener Wales: net zero skills’,⁷ and their ‘Optimised Retrofit Programme: Training’⁸.
- The apprenticeship sector is a crucial partner in ensuring that those innovative key green skills and developed to hit the shared ambition to achieve net zero.

⁶ <https://www.gov.wales/apprenticeship-learning-programmes-started-february-april-2023-provisional>

⁷ <https://www.gov.wales/stronger-fairer-greener-wales-net-zero-skills>

⁸ <https://www.gov.wales/optimised-retrofit-programme-training>

ColegauCymru

Draft Budget briefing for Senedd Members

- Many apprenticeship providers are working towards providing apprenticeships routes in these key areas, but faced with the cliff edge funding cut, which means that funding must be prioritised on those already in learning, and well-established routes with a learner and employer pipeline, these areas will not be prioritised and there is a risk that they won't be delivered at all.

Impact on Health and Social Care Services Workforce

- From 1 August 2019 to 30 April 2023 there have been 26,095⁹ apprenticeship starts in the Health Care and Health and Social Care Services.
- These courses are for those working in roles such as Social Care workers, Domiciliary Care Workers, Clinical Healthcare Support, and other key roles within health and social care.
- These have accounted for an average of 28.27% of all apprenticeship starts over this period.
- If the budget cut proposed leads to a reduction of circa. 10,000 apprenticeship starts next year, which is approximately a 50% reduction, there will be a significant impact on the health and social care workforce in all parts of Wales.

⁹ <https://statswales.gov.wales/Catalogue/Education-and-Skills/Post-16-Education-and-Training/Further-Education-and-Work-Based-Learning/Learners/Work-Based-Learning/apprenticeshiplearningprogrammesstarted-by-quarter-sector-programmetype>



www.colleges.wales



hello@collegeswales.ac.uk



029 2052 2500



Colegau Cymru