



# Economy, Trade & Rural Affairs Committee -Scrutiny of the Welsh Government Draft Budget 2026-27

## Introduction

On 14 October 2025 the Welsh Government laid its outline Draft Budget for 2026-27 and on 3 November 2025, laid its detailed Draft Budget. This response follows evidence given to the Committee in its budget scrutiny meeting on 26 November 2025.

In that meeting the Committee held three scrutiny sessions. The first session examined rural affairs with the Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs (“the Deputy First Minister”). The second session examined trade and border related issues with the Deputy First Minister and the Cabinet Secretary for Economy, Energy and Planning (“the Cabinet Secretary”). The final session looked at the economy and skills, with the Cabinet Secretary and the Minister for Culture, Skills and Social Partnership (“the Minister”).

Recommendations following the three scrutiny sessions have been considered carefully. Recommendations 1 – 18 are being responded to by the Cabinet Secretary for Economy, Energy and Planning and the Minister for Culture, Skills and Social Partnership. Recommendations 19 - 25 will be answered separately by the Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs. We would like to thank the Committee for their continued support.

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# Contents

<b>1. Economy and Skills .....</b>	<b>4</b>
<b>2. Trade and Borders .....</b>	<b>13</b>
<b>3. Rural Affairs .....</b>	<b>16</b>

# 1. Economy and Skills

There are some recommendations which this Welsh Government fully accepts, but which we have had to reject as they will be for the next Government to decide whether it wishes to take them forward.

## **Business Support**

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

**Response: Accept**

£22.5m is allocated to the Business Wales service in the 2026/27 budget which will enable the service to engage with over 30,000 young people, engage with 5,000 adults in early-stage enterprise, provide direct support to over 5,500 entrepreneurs and businesses and support 4,000 jobs. This forms part of a wider suite of support available via the Welsh Government to SMEs across Wales.

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

**Response: Accept**

The Committee will be updated on the implementation of the recommendations made within the Business Support Review in due course.

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

**Response: Accept**

The new retail multiplier (0.350) will be 30% lower than the standard multiplier (0.502) which applies from 1 April 2026 onwards, and 38% lower than the 2025-26 multiplier. This reduction comes as a consequence of both the 2026 non-domestic rates revaluation and the decision to introduce a lower retail multiplier.

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

**Response: Reject**

The Welsh Government recognises the importance of post-implementation monitoring arrangements, as reflected in the impact assessments related to this policy. As the innovative first use of our powers to prescribe differential multipliers, this is intended to help inform the approach to potential further reforms in future. It will be for the next government to decide whether to make any further changes to the multipliers applicable in Wales.

**Tech Valleys**

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

**Response: Accept**

The Tech Valleys programme is tackling entrenched issues - economic deprivation, skills shortages, infrastructure gaps, and cultural inertia – by attempting to capitalise on the opportunities of the fourth industrial revolution to create a sustainable tech ecosystem.

Despite significant investment to-date, the Tech Valleys northern valleys area is still experiencing the challenges caused by physical and perceived isolation of valley communities, even with A465 upgrades, and slow private sector buy-in which is critical for long-term sustainability. However, significant progress has been made in the areas where the Tech Valleys programme has invested.

There is therefore a strong argument to continue the Tech Valleys programme and funding commitment but to profile expenditure over a longer period in order to enable further projects to be developed for the programme.

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

**Response: Accept in principle**

The economic case for continued investment in the Tech Valleys programme remains strong. The Tech Valleys programme addresses entrenched economic challenges and has demonstrated meaningful progress. An accelerated injection of funds could unlock stalled or complex projects particularly if a dedicated delivery team could be resourced. Therefore, the Welsh Government accepts this recommendation *in principle*, to provide reassurance to partners and stakeholders to support the continuation of focused delivery efforts, without binding the next Government.

## **Productivity and competitiveness**

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

**Response: Accept in principle**

Delivering the **Economic Mission** remains central to our approach. Our mission sets out a clear vision for a stronger, fairer, and greener economy, and productivity growth is a key driver in achieving these outcomes. We recognise the importance of achieving long term productivity growth will require strong cross-government collaboration, and we are actively exploring all devolved levers to improve productivity across both public and private sectors.

We are continuing to work closely with the UK Government to maximise investment opportunities in future growth sectors identified in the Industrial Strategy, such as digital technologies and clean energy. These investments will be crucial in raising productivity levels in Wales over the medium and long term. We are also taking forward recommendations from our Short-Term Review on SME Productivity. SMEs account for the vast majority of enterprises in Wales, and this stream of work will seek to ensure we provide more accessible, high-quality support, get the funding they need, use new ideas and sell overseas.

We will consider the Wales Productivity Forum's recommendations as part of our ongoing work to strengthen Wales's economic resilience and competitiveness. It

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is noted productivity growth is one of the national well-being indicators under the Well-being of Future Generations (Wales) Act 2015 so is already subject to the monitoring and reporting associated with those indicators.

## **Employment support and economic inactivity**

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

### **Response: Accept in principle**

The Welsh Government will consider the recommendations in these reports in the development of the Employability Support Programme which is due for launch in 2027. The programme scope includes:

- NEETs (16-24)
- Those who are 25 and over and experiencing short-term unemployment (up to 6 months)
- Those who are 25 and over and experiencing long-term unemployment (unemployed for over 6 months and up to 24 months)
- Economically inactive

The Minister for Culture, Skills and Social Partnership will issue an update to the Senedd on the Employability Support Programme developments in the spring term.

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

**Response: Accept in principle**

Significant investment has already been directed into employability support in Wales and the Engage to Change model is being considered as part of preparations for the new Employability Support Programme. We recognise the importance of ensuring that this investment improves outcomes for people with learning disabilities who continue to face disproportionate barriers in accessing the labour market. We have already strengthened our monitoring arrangements across current employability provision to assess how effectively services are supporting people with learning disabilities into work.

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

**Response: Accept**

The Welsh Government recognises the need to plan proactively for any projected and potential rises in unemployment, including the possibility of sudden labour market shocks. We maintain real-time intelligence on redundancies across Wales ensuring that programmes such as ReAct+ remain sufficiently resourced and operationally flexible to manage increased demand.

The new Employability Support Programme is being designed with flexibility in mind and it will be for the new Government to agree the policy direction and funding model for the Employability Support programme post-election.

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## The Global Centre of Rail Excellence

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

### **Response: Accept in Principle**

Global Centre of Rail Excellence (GCRE) Ltd is currently working on an update to the test rail track project business plan alongside alternative options for the site which can be delivered alongside the core rail project or independently. The planning will take account of the implications resulting from the success or failure of the project to raise the private investment required for the core rail project. Those options will be presented to Welsh Government in the form of an updated Programme Business Case and plan, from which GCRE will derive and present a contingency plan for agreement by Welsh Government.

## Skills

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

### **Response: Accept**

An uplift of £5m has been allocated to the Apprenticeships BEL as part of the Final Budget package. This is on top of the additional funding that was allocated as part of the draft budget. This funding supports the increased volume of apprenticeship starts and higher delivery costs and reflects both Welsh Government strategic priorities and the operational responsibilities now held by Medr following the transfer of functions.

We expect Medr to use this funding to:

- manage the continuing learner pressure created by the additional £4m Medr repurposed in 2025–26;
- ensure stability within the apprenticeship contract system;
- prioritise apprenticeships aligned with identified economic needs, including digital, engineering, manufacturing, net zero and foundational economy sectors;
- maintain quality, respond to employer demand, and ensure value for money;

- support the design of the new apprenticeship programme for delivery from 2027.

The expectations attached to this budget form part of the wider responsibilities previously set out to Medr at its establishment, including the requirement to develop a tertiary system responsive to economic need; maintain quality and widen participation; put the learner at the centre of the system; and ensure the tertiary education system contributes to Wales's economic and societal priorities. Medr must also act in accordance with the Welsh Government's Statement of Strategic Priorities and the Agency Agreement under the Tertiary Education and Research Act. These expectations underpin deployment of the Apprenticeship BEL and ensure alignment across the tertiary education system.

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

**Response: Accept**

Forward financial pressures on the apprenticeship budget for 2026–27 arise from:

- the cohort of additional starts supported by the £4m in-year Medr reallocation in 2025–26; and
- continued demand and rising delivery costs across priority frameworks.

Medr estimated that continuing learner costs for 2026–27 would total just over £3.3m. Following the 2026–27 Final Budget, and an additional allocation of funding for Apprenticeships budgets, the previously identified forward pressure has now been removed. The uplift is sufficient to meet all continuing learner costs in full while maintaining programme stability and supporting future apprenticeship activity. Remaining funding will be prioritised in line with Welsh Government strategic objectives.

In line with established Welsh Government financial management processes, Medr will continue to monitor its ringfenced allocation closely, identify emerging risks, and work with officials to consider any mitigations required during the year. Further adjustments will be managed through ongoing budget processes to ensure resources continue to be aligned to strategic priorities and deliver value for money.

Welsh Government requires Medr to maintain robust budget monitoring, alert officials to any developing pressures, and ensure that funding decisions continue

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to support programme objectives. These expectations remain central to our approach to managing apprenticeship forward pressures for 2026–27.

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

**Response: Accept**

The apprenticeship programme remains a ministerial priority. As part of the 2026-27 final budget, Ministers have provided an additional £5m increase to support the apprenticeship programme and have protected apprenticeship funding as a ringfenced allocation within Medr’s settlement. We will continue to consider the overall funding of Apprenticeships and if in-year opportunities arise, the apprenticeship budget will continue to be considered a priority for supplementary allocations.

In relation to supporting apprentices’ access to study, the Welsh Government continues to work with Medr and providers to help ensure that apprentices can access the learning and support they need to successfully complete their programmes. This includes maintaining investment in key support mechanisms such as Additional Learning Needs (ALN) support within further education, strengthening careers and guidance services, ensuring providers have appropriate funding to deliver high quality off-the-job learning, and prioritising frameworks that enable progression from Level 2 through to higher-level and degree apprenticeships. We will continue to reflect on where barriers to access exist including travel, digital access, and learning support and work with partners to identify mitigations within the available budget envelope.

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

**Response: Accept**

The Welsh Government recognises that expanding degree apprenticeships may be beneficial where there is clear evidence of employer demand, learner need and economic value. Degree apprenticeships currently cost around £27,000 per learner, meaning any expansion must be planned on a multi-year basis. As an

example, approximately 100 additional places would require around £1m in Year 1, £2m in Year 2 and £3m in Year 3 due to the continuation of learners.

In developing the new Apprenticeship Programme for implementation from August 2027, Medr has already undertaken extensive consultation and engagement activity directly relevant to future higher-level and degree apprenticeship provision. Through the national consultation launched in September 2025 and earlier stakeholder engagement, Medr has sought views from training providers, employers, industry bodies, learners, and representative organisations on the high-level principles for the new programme, sector frameworks, progression routes, flexible delivery models and the definition of apprenticeships from Level 2 through to Level 6. Crucially, Medr is reviewing all existing apprenticeship frameworks between 2025 and 2027, ensuring they support progression “from Level 2 upwards, to degree apprenticeships where appropriate”, alongside considering sector demand, future skills needs and employer expectations. This evidence gathering will inform future decisions on whether new subjects should be added to the degree apprenticeship offer and where expansion would bring the greatest benefit to learners, employers and the Welsh economy.

The Welsh Government is open to considering the expansion of degree apprenticeships but believes any decision must be grounded in clear evidence of employer demand, learner benefit and economic impact, and will be informed by the ongoing work led by Medr. Welsh Government will work with Medr, universities and the Regional Skills Partnerships to understand sector readiness, financial implications, and the areas where expansion would generate the greatest economic and social return.

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## 2. Trade and Borders

### **Border Control Posts (BCPs)**

#### **Export, Trade and Inward Investment**

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

#### **Response: Accept**

The Welsh Government actively updates and reviews its priorities as the UK-EU negotiations develop and circumstances change. We will continue to consider any potential impact on Wales as part of this ongoing work. However, as negotiations are currently active, we cannot comment on what may be included or what that impact may be until any agreement is finalised.

The Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs set out the Welsh Government's position on Border Control Posts (BCPs) in Wales, and this statement<sup>1</sup> remains the current position. The decision to pause the implementation of the Border Target Operating Model (BTOM) arrangements was made by the UK Government which has indicated that this will remain subject to review. Working with colleagues in the UK and Scottish governments, the Welsh Government will keep the implications for border control posts in Wales under review. We will update the Committee as appropriate.

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<sup>1</sup> [Written Statement: Border Controls on imports into Wales from Ireland](#)

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

**Response: Reject**

There are no costs specifically for Welsh businesses. We have not operated BCPs in Wales and – assuming a successful outcome for the negotiations with the EU – do not intend to do so.

Welsh companies may face some additional costs in doing business with Europe post-Brexit, for example if they import relevant goods through Dover, but these costs are no different from those faced by other British companies.

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

**Response: Accept in principle**

HMRC published a pre-announcement of corrections to the UK Overseas Trade in goods Statistics following the identification of an error affecting exports of fuels (HS2 Chapter 27).

This error affects data from **March 2024 onwards**.

Corrections have not yet been applied to the published datasets. These will be incorporated into:

- ONS Q3 revised Gross Domestic Product (GDP) on 22 December 2025.
- ONS UK Trade release and HMRC Overseas Trade Statistics (OTS) on 15 January 2026.

At the Wales level, HMRC announced their intention to publish Regional Trade Statistics (RTS) for year ending Q3, 2025 as planned on 18 December 2025. Headline analysis was undertaken by statisticians in Welsh Government: Welsh international goods trade: October 2024 to September 2025. This analysis did not reflect the HMRC corrections; instead, trade data excluding ‘oil’ was also presented to provide a stable baseline until revised data becomes available.

Revised RTS accounting for the correction will be available on 19 March 2026 for all UK nations and regions including Wales, alongside a corrected timeseries

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back to March 2024. Ahead of publication, HMRC has estimated that the correction would increase Wales's goods exports for 2024 by approximately 7.9%, (£1.4 bn) compared with the current published annual 2024 total of £17.5 bn. For January - September 2025, exports are estimated to increase by around 12.1% (£1.5 bn) compared with the current 2025 published total of £12.7 bn.

Welsh Government analysts will produce analysis of the implications of the error to Wales's export performance once the revised data is available. However, due to the planned timing of the data release (19 March), it is unlikely that a full analysis can be provided to the Committee within the March 2026 timescale.

### 3. Rural Affairs

**Recommendations 19 – 25 will be answered by the Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs.**