



# 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 its detailed Draft Budget on 3 November 2025. 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 second session examined trade and border related issues with the Deputy First Minister and the Cabinet Secretary for Economy, Energy and Planning . The final session looked at the economy and skills, with the Cabinet Secretary and the Minister for Culture, Skills and Social Partnership.

Recommendations following the three scrutiny sessions have been considered carefully. Recommendations 19 - 25 will be answered below by the Deputy First Minister. Recommendations 1 – 18 are being answered separately.

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We would like to thank the Committee for their continued support

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# 1. Agricultural support

## **Recommendation 19.**

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

## **Response: Accept in Principle**

We are providing £367m in fiscal year 2026-27, including all the replacement farm funding (£339.6m) baselined into WG budget from 2024-5. The Welsh Government achieved this following the UK Government decision to remove the ringfence previously imposed on agricultural funding in Wales, which means Welsh Ministers now decide on the level of agricultural funding for Wales.

Welsh Ministers recognise the importance of the sector. That is why the Welsh Government is maintaining a budget of £238m for the Universal layer and legacy Basic Payment scheme in 2026, thereby encouraging as many farmers as possible into the SFS so they can start to realise the benefits as soon as possible while guaranteeing at least £102m this year to encourage substantial uptake of the Optional and Collaborative Actions, which will be critical to meeting our climate and nature commitments.

In the same way as for all other areas of spending, the Barnett formula will only be applied to any future changes in spending in England on programmes which are devolved in Wales. Wales receives the same change per head as in England, with an additional 5% needs factor. The Finance Interministerial Standing Committee (F:ISC) has agreed to a joint piece of work looking at ways of improving the operation of the Barnett formula. This work will report at the next F:ISC in the spring.

**Financial Implications – None.**

## **Recommendation 20.**

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

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

The Welsh Government is committed to invest in agriculture support and farm funding that works to achieve our shared ambitions for sustainable food security and securing critical carbon and environmental objectives. It is for Welsh Ministers, with the Senedd's approval, to decide how to allocate the Welsh Government's budget to reflect the circumstances and priorities in Wales. While agriculture and farm funding budgets now operate solely on annual cycles, unlike previous European Union funded programmes, the Welsh Government will always seek to use all available resources to secure a budget that best supports this important sector.

**Financial Implications** – this work will be accommodated within existing budgets.

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## 2. Fisheries

### **Recommendation 21.**

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

### **Response: Accept**

The funding will accelerate the delivery of science and evidence projects which will inform both the content of Fisheries Management Plans (FMPs) and how we implement specific actions, particularly for non-quota stocks. For example, we have recently commissioned a study that will significantly improve our understanding of brown crab and lobster fisheries within Welsh waters to inform the Crab and Lobster FMP and future management actions.

**Financial Implications** – this work will be accommodated within existing budgets.

### **Recommendation 22.**

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

### **Response: Accept**

We welcome the consequential allocation of £18 million over 12 years and the £1.29 million allocated in 2026-27 from UK Government, resulting from the announced £360 million UK Fishing and Coastal Growth Fund.

The importance of our fishing industry and coastal communities has been recognised in the draft Welsh Government budget with an additional £1.29 million allocated for the fisheries sector for the 2026-27 financial year.

The additional budget will be invested in the following priority areas:

- Market development
- Environmental protection and sustainability
- Workforce investment
- Coastal growth and capacity building

- Science and evidence.

I would be happy to keep the Committee updated with progress on delivery as the discussions with stakeholders and the anticipated activity develops.

**Financial Implications** – None.

### **Recommendation 23.**

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

### **Response: Accept**

Funding opportunities to ensure the Welsh seafood supply chain benefits remain in Wales are integral to the priorities for this additional budget.

**Financial Implications** – this work will be accommodated within existing budgets.

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## 3. Bovine TB

### **Recommendation 24.**

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

### **Response: Accept in part**

We are commissioning an independent review into bovine TB compensation via a procurement exercise. The intent is to award the contract prior to the pre-election period, with a report expected by the end of 2026.

The Technical Advisory Group and the TB Eradication Programme Board have identified a programme of work, which is enabling them to focus on key areas of bovine TB. The advice they provide is based on evidence, which includes lessons learned and best practice from within and outside Wales. Recent changes to policy have already benefitted from such co-design, and this approach continues.

**Financial Implications** – this work will be accommodated within existing budgets.

## 4. Horticulture

### **Recommendation 25.**

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

### **Response: Reject**

The Welsh Government provides various forms of support to the horticulture sector. However, presenting a single headline figure for the total expenditure on this sector would not accurately reflect the nature of the support provided.

A major component of support for the sector is the Knowledge Transfer programme, Farming Connect. Whilst the current contract will come to an end on 31 March 2026, there will be a new programme available from 1 April offering free and subsidised interventions of support.

The Welsh Government currently provides two bespoke capital grant schemes that are designed for horticulturalists - the Agriculture Diversification and Horticulture Scheme and the Small Grants - Horticulture Start up Scheme. Horticulturalists also benefit from all other grant schemes that are cross-sectoral, such as efficiency and environmental grants, where the budget allocations do not specify farm type or sector. It should also be noted that the Agriculture Diversification and Horticulture Scheme covers expenditure for diversification into sectors other than horticulture. The amount spent under these schemes depends on the number and quality of applications received and does not necessarily reflect the level of budget available.

**Financial Implications** – this work will be accommodated within existing budgets.