

Agenda Supplement – External Affairs and Additional Legislation Committee

Meeting Venue:

Committee Room 2 – Senedd

Meeting date: 20 November 2017

Meeting time: 13.30

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– Resilience and preparedness: the Welsh Government’s administrative and financial response to Brexit

Please note the documents below are in addition to those published in the main Agenda and Reports pack for this Meeting

6 Resilience and preparedness: the Welsh Government’s administrative and financial response to Brexit – consideration of evidence

(15.00–15.15)

(Pages 1 – 112)

Attached Documents:

RPB01 Welsh NHS Confederation

RPB02 Wales Co-Operative Centre

RPB03 FSB Wales

RPB04 Pembrokeshire County Council

RPB05 Universities Wales

RPB06 Welsh Language Commissioner

RPB07 Cytûn: Churches Together in Wales

RPB08 Academy of Medical Royal Colleges Wales

RPB09 The National Trust

RPB10 Wales Council for Voluntary Action

RPB11 Welsh Local Government Association



RPB12 Caerphilly County Borough Council

RPB13 Farmers' Union of Wales

Introduction

1. The Welsh NHS Confederation, which represents the seven Health Boards and three NHS Trusts in Wales, welcomes the opportunity to provide information to the External Affairs and Additional Legislation Committee inquiry into resilience and preparedness: The Welsh Government's administrative and financial response to Brexit.
2. The implications of Brexit remain unclear, but it is likely that the impact will be felt across the NHS. More specifically, Brexit could have implications for the commissioning, provision and development of healthcare interventions across the UK given the extent to which EU policy and legislation impact on all aspects of the NHS.
3. The Welsh NHS Confederation, on behalf of our members, is highlighting the possible implications of Brexit on NHS Wales with the Welsh Government, Assembly Members and our stakeholders. In addition, as a member of the Cavendish Coalition and the Brexit Health Alliance, we are ensuring that the impact for Wales is made clear at a UK level by highlighting the likely effects on Welsh policy and legislation.

Summary

4. The Brexit negotiations have only recently started so it is difficult to be specific on the measures which should be put in place to mitigate risks and to take advantage of opportunities. That said, the implications of a UK withdrawal from the EU are anticipated to affect all parts of the health care system.

- a. Many aspects of UK health and social care services have been influenced by European Union policies and legislation. Depending on the settlement, the UK's exit from the EU could have a profound impact on the UK economy and the delivery of public services.
- b. From a NHS perspective, possible implications on workforce, research and innovation, and health technology regulation are priority issues which must be considered carefully during the withdrawal negotiations. Another key area is infrastructure, including the road network, because this can impact on ambulance response times and the transportation of vital medicines across borders.
- c. On workforce, while the UK Government has now given some reassurance that EU nationals can remain in the UK post-Brexit, our priority will be to ensure a continuing 'pipeline' of staff for the sector, including recognising health and social care as a priority sector for overseas recruitment. We continue to ask the UK Government to provide clarification that EU professionals who are already working for the NHS across the UK, or who will be recruited during the leave negotiations, will be allowed to remain after Brexit.
- d. On research and innovation, our aim is that NHS organisations across the UK will be able to continue to participate in EU collaborative programmes and lead and contribute positively to European Reference Networks post-Brexit.
- e. On health technology regulation, our priority is that NHS patients will continue to benefit from early access to the wide range of innovative health technologies available on the EU market and ensure that they do not miss out on the opportunities offered by participation in EU clinical trials.
- f. Alongside these priorities, we have identified public health, employment law and crossborder healthcare as other areas in which risks or opportunities emerging from Brexit should also be considered.

Welsh Government

5. With negotiations ongoing, we appreciate the difficulties that the Welsh Government faces. Across devolved areas that the Welsh Government has legislative competence, the Brexit negotiations could have a significant impact on thousands of policies, regulations, directives and legislation, including areas relating to health and care. The NHS in Wales continues to liaise with the Welsh Government to raise awareness and provide feedback on the key areas highlighted below.
6. In relation to structured engagement with the NHS, there is a standing verbal item on the Welsh Partnership Forumⁱ relating to Brexit. This is a quarterly opportunity for colleagues to share information and raise issues relating to Brexit.

Budget

7. The annual funding of the NHS depends on the performance of the economy. It is a concern therefore that leading economists have suggested that Brexit could lead to an economic downturn. The Health Foundation has previously estimated that the NHS budget in England could be £2.8 billion lower than currently planned by 2019–20.ⁱⁱ In the longer term, the analysis concludes that the NHS funding shortfall could be at least £19 billion by 2030–31 – equivalent to £365 million a week – assuming the UK is able to join the European Economic Area. If this is not the case, the shortfall will potentially be as high as £28 billion – which is £540 million a week. The repercussions will be felt by NHS Wales.

Workforce

8. Across the UK, the NHS is heavily reliant on EU workers. While the UK Government has given some reassurance that EU nationals can remain in the UK, we believe the priority must be to ensure that the UK can continue to recruit and retain much needed health and social care staff from the EU and beyond, whilst increasing the domestic supply.
9. In July 2017, 1,388 individuals directly employed by the NHS in Wales identified themselves as EU Nationals (1.55% of the total) on the Electronic staff record. As the table below shows there has been a 6% increase in the number of employees identifying as EU nationals since July 2016, but it is not it is too soon to tell if this represents an identifiable trend. It is also important to note that around 35,000 staff have not recorded any nationality on the staff record.

| Number of directly employed staff identifying as EU National | September 2016 | % of total directly employed workforce | July 2017 | % of total directly employed workforce |
|--|----------------|--|--------------|--|
| Add Prof Scientific and Technic | 49 | 1.65% | 54 | 1.77% |
| Additional Clinical Services | 162 | 0.91% | 189 | 1.04% |
| Administrative and Clerical | 95 | 0.54% | 95 | 0.51% |
| Allied Health Professionals | 110 | 1.80% | 120 | 1.96% |
| Estates and Ancillary | 104 | 1.21% | 112 | 1.30% |
| Healthcare Scientists | 31 | 1.52% | 30 | 1.47% |
| Medical and Dental | 410 | 5.84% | 435 | 5.99% |
| Nursing and Midwifery Registered | 352 | 1.38% | 353 | 1.38% |
| NHS Wales | 1,313 | 1.50% | 1,388 | 1.55% |

10. While the number EU citizens within the whole Welsh NHS workforce are relatively small, there are some key points to note:
- a. The highest concentration of EU staff appears to be in medical and dental workforce accounting for around 6%;
 - b. There is a differential distribution of staff across Wales with higher concentration of EU nationals working in health boards with the greatest recruitment challenges (i.e. Hywel Dda University Health Board and Betsi Cadwaladr University Health Board);
 - c. The current uncertainty around the EU negotiations may lead to staff looking for opportunities outside the UK and for potential applicants to be deterred from applying;
 - d. Incidents of harassment of foreign workers and cases of EU nationals feeling that they are no longer welcome in the UK may have an impact on EU/EEA workers' willingness to remain in the UK, even if permanent freedom to remain is granted. One of the present impacts of the EU Referendum has been the sharp rise in cases of 'hate incidents' and intolerance towards foreign citizens, some of which have been directed against NHS employees. A number of Health Boards in Wales have expressed their views publicly about supporting their workforce and that hate crime will not be tolerated.
11. While we welcome the recent announcement that more healthcare professionals will be trained domestically, workforce planning is not an exact science and it is extremely difficult to predict accurately the number of professionals that will be needed in the future to ensure the smooth and safe operation of the health and care system. Shortages in specific areas can take 2–3 years to develop, but may need 10–15 years for the trained workforce to adapt, by which time other solutions have usually been found and different workforce shortages may have emerged. In addition, many healthcare systems across the world compete for healthcare specialists and the UK is not immune from home grown professionals leaving the NHS to work overseas. It is to be expected, therefore, that our sector will need to continue to recruit overseas trained professionals,

including from within the European single market, to operate smoothly and to offer safe and high-quality services to patients in the future.

12. We are disappointed that the UK Government has stated that it is their position to leave the EU single market and custom union without setting out future immigration rules. The freedom of movement provisions of the EU single market makes it possible for healthcare professionals qualified in other parts of the EEA to access the UK employment market without having to obtain visas and work permits, unlike citizens from non-EU countries. This makes it quicker and easier for the NHS to recruit staff from the EU, especially into shortage areas and specialties. The UK benefits enormously from the single market in this respect, as we are a net importer of healthcare professionals qualified in other parts of the EU.
13. In addition, the EU legislation on mutual recognition of qualifications means that currently many EU healthcare professionals are “fast-tracked” for registration with the General Medical Council, the Nursing Midwifery Council or other relevant regulatory bodies. EU rules mean that the process for professional registration and the right to practise legally in the UK is different to nonEEA trained practitioners; for example, it does not systematically require pre-registration competency and language testing by the regulator. These arrangements are reciprocal so that UK-qualified practitioners can also practise relatively easily elsewhere in the EU, although the outbound flow is less.
14. Our priority in NHS Wales will be to ensure a continuing ‘pipeline’ of staff for the sector. The immigration system that is in place after the UK leaves the EU will need to ensure that, alongside our domestic workforce strategy, it supports the ability of our sector to provide the best care to our communities and people who use our services.
15. A total exit from the single market, as put forward by the UK Government, will leave the UK completely free to determine its own policies on immigration, with possibly much greater implications for the UK NHS. Under this scenario, it

would be crucial to ensure that any future UK immigration rules recognise health and social care as a priority sector for overseas recruitment, from both within and outside the EU.

Employment law

16. A substantial proportion of UK employment law originates from the EU and provides important protections for nurses, social care and health staff; in particular, rules on health and safety at work, information and consultation on collective redundancies and safeguarding employment rights in the event of transfers of undertakings (TUPE).
17. The UK Government has already stated its intention to protect workers' rights after Brexit and, as the largest employer in the country, we very much welcome this. The EU's key health and safety related directives provide a legal framework for employers to reduce the risks of stress, violence, musculoskeletal disorders (MSDs), biological hazards, stress and violence to health and social care staff. MSDs and stress are particularly prevalent in the nursing workforce and the main cause of sickness absence in the sector and, arguably, without the directives the situation would be worse. The implementation of hoists and other lifting equipment, as required by the Manual Handling Directive, has been proven to significantly reduce the risks for social care and health staff and the people they care for.^{iiiiiv}

Research and innovation

18. Clinical research and innovation are key components of NHS activity across the UK and the NHS has a long tradition of EU collaborative research. Subsequent EU Research and Innovation funding programmes have acted as catalysts for this collaborative work, filling gaps in the research pipeline, and allowing researchers across Europe to gather forces to find responses to common

challenges, both at clinical and operational levels, that confront health systems in Europe.

19. European programmes have, for example, supported research into health economics and the resilience of healthcare systems, for the public good. At the bottom line, the NHS across the UK wants to access research which brings affordable innovation and, most importantly, benefits to NHS patients. This is not possible, at least to the same extent, through participation in collaborative research with other regions of the world, such as the USA, where commercial interests are often the key driver of research.
20. EU research grants have also been crucial for the Welsh NHS' ability to attract and retain some of the most renowned clinicians in the world, who often decide to work for the NHS due to its excellent reputation in leading EU collaborative medical research initiatives, including through the EU research programme Horizon 2020.
21. Collaboration at EU level has helped the NHS across the UK to develop new treatments, adopt innovation more quickly, and improve the quality of healthcare it provides. We would like to ensure that the NHS can continue to participate in EU collaborative research programmes post Brexit. It is important that Brexit does not impact on cross-European partnerships, exchange of good practice and mutual training opportunities, for example staff or student exchange, sharing and learning from best practices and successful policies.

Regulation of health technologies

22. The integrated nature of supply chains for medicines across Europe and the shared regulatory framework, mean that Brexit may have a negative impact on the supply, regulation and safety monitoring of medicines for patients in all EU 27 countries. Continued co-operation and alignment between the EU and the

UK on the regulation of medicines is the best outcome for patients across Europe.

23. The EU has competence to regulate health technologies, such as pharmaceuticals and medical devices, but also products of human origin such as blood, tissues and cells. This is because these products circulate in the EU single market and therefore a set of common standards and rules are needed to ensure their safety and quality.

24. The pharmaceutical industry is one of the EU's most important and fastest-growing industries, investing an estimated €35 billion in Research and Development (R&D) in Europe and directly employing around 745,000 people^v. The UK is a key player in European pharmaceuticals, constituting 10% of the EU's total production and contributing approximately 20% of the EU's total R&D. Between January and October 2016, €11 billion of EU pharmaceutical imports originated from the UK providing medicines to patients across Europe while EU pharmaceutical exports to the UK totalled €17 billion. In Wales, the life sciences sector employs around 11,000 people^{vi} based at more than 350 companies and has a turnover of circa £2 billion per year. These include companies in the ground-breaking fields of medical technology – biopharmaceuticals, regenerative medicine, diagnostics, e-health and biotechnology. Recognising this inherent strength and potential, the Welsh Government has established initiatives such as the Life Sciences Hub^{vii} and Life Sciences Research Network Wales^{viii} to ensure ongoing development of the sector in Wales, which is expected to deliver significant (over £1 billion) economic impact by 2022.

25. Having a single EU regulatory framework has allowed new health technologies to be brought more quickly to the market for the benefit of patients. For example, pharmaceutical companies can make new medicines available everywhere in the EU through the single centralised marketing authorisation procedure provided by the European Medicine Agency, instead of having to apply for authorisation in each individual member state. Maintaining access to

this centralised authorisation procedure is the main priority for the UK pharmaceutical/life sciences industry.

26. A single EU system has also allowed a higher level of patient safety and public health protection to be achieved through a close-knit network of competent authorities in member states and the European Medicines Agency, collaborating, exchanging information, and bringing their expertise to the table in a way that adds value, whilst avoiding duplication of effort.
27. The EU regulatory framework spans the full process needed to bring new health technologies to the market, starting from the clinical research phase. It is for this reason that the authorisation and conduct of clinical trials are also regulated by the EU. This is particularly relevant from an NHS perspective, given the vast number of clinical studies conducted by the NHS.
28. The EU and the UK should agree to focus on solving the issues around medicines as early as possible during the negotiations. Appropriate transitional arrangements need to be put in place to ensure that European patients can continue to access their medicines without disruption. In the event that the UK continues to have full access to the single market, the EU medical regulatory framework will continue to apply and any change would be minimal. At the other extreme, an exit from the single market would leave the UK free to determine its own medical regulation, with possibly much greater implications for the NHS. Under such a 'hard Brexit' scenario, it will be essential to ensure that our patients continue to benefit from early access to the wide range of innovative health technologies which are available on the EU market.

Cross-border healthcare

29. As the right to receive healthcare in another EU country is regulated by the EU, leaving the EU may have consequences for NHS patients in terms of their ability to access cross-border healthcare. This could mean that, in the future, British

citizens on holiday in Europe might no longer be able to use the European Health Insurance Card, which allows them to receive emergency or immediately necessary healthcare on the same terms as the residents of that country.

30. EU law also allows Britons who are abroad for a longer period of time – such as pensioners living abroad, or UK citizens who work in another EU country – to be entitled to receive healthcare in the country where they live on the same basis as the local population. It should be stressed that these rules are reciprocal and therefore uncertainty also exists on whether EU citizens will be entitled to receive healthcare in the UK following Brexit.

31. If the UK were to leave the EU single market, these systems would in principle no longer apply, unless bilateral agreements were negotiated. Consideration should be given by negotiators to possible implications for patients and how to ensure that a fair alternative system is put in place, either with the EU as a whole, or with those EU countries, such as Spain, which have high numbers of UK nationals living there.

Public health

32. A significant proportion of the domestic legislation in public health and consumer protection originates from the EU, as the EU has legislative competence in these areas. If EU rules were no longer enforceable in the UK after we leave the EU, we would recommend ensuring the same, or higher, level of safety is guaranteed through domestic standards and regulations thereafter.

33. EU legislation surrounding emission controls have been successful in reducing pollution levels across both road traffic and industry, while the Commission has also shown a willingness to enforce directives in many areas including water quality and the sale and marketing of tobacco products.

34. The issue of smoking may also be affected, as the EU has a significant role in ensuring a cross border approach to anti-smoking measures. The Tobacco Products Directive, having survived a number of High Court challenges, is now in the process of implementation.
35. Furthermore, the EU has several mechanisms to respond to and combat major cross-border health threats, including communicable disease outbreaks. This has allowed considerable improvement in the degree of information sharing and response co-ordination on an EU level in cases such as Ebola and swine flu pandemics. Continued access to these EU coordination mechanisms and networks, such as the European Centre for Disease Prevention and Control (ECDC), should be sought during the negotiations, as it would be more difficult for the UK to tackle in isolation what are inherently transnational threats.

Food Regulation

36. While not directly linked to the NHS, food regulation can impact on public health initiatives surrounding food hygiene, obesity and healthy eating. With EU regulation, such as EU General Food Laws which seek to protect human health and consumers' interest in relation to food, the future of the UK's own food standards measures is currently unknown. The UK Government is yet to have come forward with its plan for a replacement to this regulation. The Government could simply copy EU regulations in this area, resulting in no change to current rules. On the other hand, the UK Government could use this opportunity to amend the regulation, possibly lowering the standards to open up our market to new trade partners.
37. With the EU likely to continue to be an important export market for the UK after Brexit is complete, exporting companies will look to continue to maintain their manufacturing standards at the EU approved level. Food manufactured for the UK market and food products coming into the UK market might not have to abide by the rigours EU standards though, if the regulation is not carried across

into UK law. Consumers could therefore start to see a decline in the standard of their weekly food shop.

38. Finally, the withdrawing from the EU legal framework on food could potentially offer opportunities. EU law in this area has been considered, on some occasions, to be too conservative and not going far enough to help consumers make healthy choices.

Cavendish Coalition and Brexit Health Alliance

39. The Welsh NHS Confederation has been highlighting the possible implications for the Welsh NHS of Britain exiting the EU with the Welsh Government, but also to the UK Government through being a proactive member of the Cavendish Coalition and the Brexit Health Alliance.

40. The Cavendish Coalition is made up of 36 health and social care organisations^{ix} united in their commitment to provide the best care to their communities, patients and residents. The coalition recognises that the talented and diverse group of people we all employ and represent are central to the success of that commitment, and that these individuals from the UK, Europe and across the world make a vital contribution to delivering care to the UK's population. We are committed to working together to ensure a continued domestic and international pipeline of high calibre professionals and trainees in health and social care in the future.

41. The Brexit Health Alliance^x brings together the NHS, medical research, industry, patients and public health organisations. The Alliance seeks to make sure that issues such as healthcare research, access to technologies and treatment of patients are given the prominence and attention they deserve during the Brexit negotiations, and will argue that it is in both Europe and the UK's interests to maintain co-operation in research and in handling public health issues. It calls on the UK government to make sure there is a commitment to medical research

and providing alternative funding, and that UK citizens' right to receive healthcare in EU countries is preserved. The areas that the Alliance focuses on includes:

- a. Supporting maximum levels of research and innovation collaboration;
- b. Ensuring regulatory alignment for the benefit of patients and the public's health;
- c. Preserving reciprocal healthcare arrangements;
- d. Ensuring robust coordination mechanisms on public health and well-being; and
- e. Securing a strong funding commitment to the health sector and the public's health.

How to mitigate risks and take advantage of opportunities

42. At this stage of the negotiation process, we have the following main recommendations:

- a. If the UK were no longer to be part of the EU Customs Union and could therefore embark in the negotiation of trade deals with different economic regions across the globe, particular care would need to be paid to respective public health policies and standards applied, as other trade blocks will be pushing for mutual recognition of their standards, which could be set at a lower level of safety compared to the EU's. International free trade deals are very complex and take time to negotiate. While we recognise the UK Government may wish to agree deals quickly, for each trade pact it will also be crucial to ensure a high level of public health protection by conducting an in-depth analysis of the standards applicable to each individual economic sector and ensuring that, whenever deemed necessary, reservations are agreed with our counterpart.

- b. Given the complexity of negotiations and the variety of policy areas that will be covered, we strongly recommend that organisations with specific expertise and knowledge in these respective areas are consulted by the UK Government and Welsh Government when drawing up the detailed approach to particular issues. This will allow a well-informed negotiating position to be shaped and avoid the risk that some of the implications could be overlooked.
- c. To reduce uncertainty in the run up and during the negotiations, whenever possible clarification should be provided by the UK Government. For example, the clarification given by the Treasury Office on EU funding programmes has been extremely helpful in reassuring our EU funding partners that it is safe to involve UK organisations in new funding bids. Similar clarification in other areas will be very welcome.

Conclusion

43. The Welsh NHS Confederation will continue to highlight the possible implications for the Welsh NHS of Britain exiting the European Union with the Welsh Government and Assembly Members but also to the UK Government as part of the Cavendish Coalition and the Brexit Health Alliance.

References

ⁱ The WPF is a tripartite forum with representatives from the Welsh Government, NHS Employers and Trade Unions. ⁱⁱ Health Foundation, July 2016, NHS Finances Outside the EU

ⁱⁱⁱ Health and Safety Executive (2002) Second Evaluation of the Manual Handling Regulations (1992) and Guidance. HSE Books: Sudbury

^{iv} Health and Safety Executive (2003) Evaluation of the implementation of the use of work equipment directive and the amending directive to the use of work equipment in the UK. HSE Books: Sudbury

^v European Federation of Pharmaceutical Industries and Associations (2017), 'The Pharmaceutical Industry in Figures', p.4.

^{vi} [http://gov.wales/topics/businessandconomy/sectors/life-sciences-](http://gov.wales/topics/businessandconomy/sectors/life-sciences-sector/?lang=en)

[sector/?lang=en](http://gov.wales/topics/businessandconomy/sectors/life-sciences-sector/?lang=en) ^{vii} <https://www.lifescienceshubwales.com/> ^{viii}

<http://www.lsrnw.ac.uk/>

^{ix} Members of the Cavendish Coalition: Association of Dental Groups, Association of Directors of Adult Social Services, Association of Independent Healthcare Organisations, Academy of Medical Royal Colleges, Association for Real Change, Association of UK University Hospitals, British Dental Association, British Medical Association, Care England, Care Forum Wales, Care and Support Alliance, Chartered Society of Physiotherapy, Council of Deans of Health, Mental Health Network, National Association of Primary Care, National Care Association, National Care Forum, Vic Rayner, New NHS Alliance, NHS Clinical Commissioners, NHS Confederation, NHS Employers, NHS European Office, NHS Partners Network, NHS Providers, Northern Ireland Confederation for Health and Social Care, Registered Nursing Home Association, Royal College of Nursing, Shelford Group, Skills for Care, Skills for Health, The Company's Chemists' Association, The Royal College of Midwives, The Welsh NHS Confederation, Vanessa Young, Director, UNISON, United Kingdom Homecare Association and Voluntary Organisations Disability Group.

^x Brexit Health Alliance founding members: Academy of Medical Royal Colleges, Association of Medical Research Charities, Association of British Healthcare Industries, The Association of the British Pharmaceutical Industry, Association of UK University Hospitals, Bio Industry Association, Faculty of Public Health, Medical Schools Council, National Voices, NHS Confederation (including Mental Health Network, NHS Clinical Commissioners, NHS Employers, NHS Partners Network), NHS Providers, Northern Ireland Confederation, Richmond Group of Charities, Scottish NHS Chief Executive Group and Welsh NHS Confederation

Summary

- Our recent mapping report showed that social businesses are concerned about Brexit and see it as a potential barrier to their growth
- Businesses, communities and individuals across Wales have benefited significantly from European Union funding. Social enterprises and co-operatives have been helped to grow and create new jobs as a result of business advice, grants and loans funded by the EU. We are seeking reassurances that the kind of actions that European funds have supported over the years will now be funded by UK Government.
- We believe that there should also be a smooth transition from EU funds to successor funding with a transitional fund to ensure continuity for projects currently receiving EU funds.
- We would welcome the opportunity for social businesses and their support agencies to be consulted on the design and implementation of any successor programme to EU structural funds.
- The potential negative economic impacts of Brexit and uncertainties surrounding the process have been well documented. This is likely to not only lead to a challenging trading environment for social businesses but may also lead to increased demand for their services. Social businesses will need increased support and advice to help them meet these challenges.
- With the large legislative agenda resulting from leaving the EU, we would seek to ensure that the social economy is not overlooked.
- Co-operatives and co-operation could also provide positive solutions to potential problems faced by businesses in Wales post-Brexit. For example, co-operatives could help to address some of the issues faced by the Welsh agri-food sector following Brexit.
- Potential economic instability resulting from Brexit is likely to hit some of Wales' poorest communities hardest. We would argue that there is an opportunity to develop more bottom-up and collaborative approaches to

local economic development, supported by successor funds to EU structural funding. These should focus on developing inclusive local economies with social businesses at their heart.

1. Introduction

The Wales Co-operative Centre is a not-for-profit co-operative organisation that supports people in Wales to improve their lives and livelihoods.

We are working for a fairer economy. We help to create and retain wealth within our communities through the growth of co-operatives and social businesses and by providing people with the skills to take more control of their own lives and strengthen their communities.

Our projects include:

- Social Business Wales provides intensive, one-to-one support to social businesses which have ambitions to grow and a viable business proposal.
- Your Money Your Home tackles the financial exclusion of Private Rented Sector (PRS) tenants in Wales, and to prepare people for the introduction of Universal Credit.
- Digital Communities Wales tackles digital exclusion by providing training, support and encouragement to organisations to help them support digitally excluded people.
- Our Co-operative Housing project offers business support and advice to new and existing organisations looking to develop housing co-operative schemes.
- Our Community Shares Wales project helps community groups raise funds from within their local communities to fund the running of community projects and assets.

2. Main issues facing social business sector as a result of the UK's withdrawal from the European Union

Social businesses are concerned about the impact of Brexit. In particular, they are concerned their future trading environment is going to be affected adversely by leaving the EU, in particular from the loss of European funding and from the wider impact on the economy. This was highlighted as a concern in our most recent survey of the sector.¹

2.1 Loss of European funding

Businesses, communities and individuals across Wales have benefited significantly from European Union funding. Social enterprises and co-operatives have been helped to grow and create new jobs as a result of business advice, grants and loans funded by the EU. This includes the Social Business Wales project delivered by the Wales Co-operative Centre which is supported by a £6m of EU structural funds and almost £5m from the Welsh Government. The Social Business Growth Fund administered by the WCVA also part-funded by ERDF and Welsh Government. The Fund provides funding to help social businesses grow and create job opportunities.

We support Welsh Government's request for assurances from UK Government that it will ensure Wales continues to receive the equivalent amount of funding when EU Structural Funds end. We are also seeking assurances from Welsh Government that it will continue to fund advice and support services for the social business sector through any challenging financial environments arising from the UK exiting the EU. We believe that this will be crucial to help social businesses meet increased demands for their services, as set out in Section 2.2 below. We believe that there should also be a smooth transition from EU funds to successor funding with a transitional fund to ensure continuity for successful projects currently receiving EU funds.

We believe that social businesses and agencies that support them should be consulted on the design and implementation of any successor programme to EU structural funds.

¹ Mapping the Social Business Sector in Wales, April 2017 <https://wales.coop/helping-social-businessesgrow/research/>

2.2 Impact of Brexit on the wider economy and potential increased demand for social business services

The potential negative economic impact of Brexit and uncertainties surrounding the process are well documented. This is likely to not only lead to a challenging trading environment for social businesses but also to increased demand for their services.

Social businesses are often found in areas of social deprivation, supporting communities, offering jobs and training and often providing services that the public and private sectors would struggle to maintain. They plug gaps in provision and, in some cases, grow through innovative delivery and defining services in direct response to their community's needs. This is likely to be exacerbated if public and private sector businesses further reduce their services in these localities as a result of the challenging economic environment post-Brexit. Social businesses will need increased support and advice to help them meet these challenges in a sustainable way.

2.3 Legislative changes arising from exiting the EU

With the large legislative agenda that will result from leaving the EU, we urge the Welsh Government to champion the social economy to ensure that it is not overlooked. We support calls from our colleagues at Co-operatives UK for Brexit safeguards for cooperatives.² Co-operatives should not be put in a disproportionately worse position by the Brexit process. In particular, key Brexit safeguards in the following areas need to be addressed:

- The repatriation of EU competition law into UK law
- The repatriation of EU co-operative law into UK law
- The repatriation of EU consumer, employment and environmental law into UK law
- The repatriation of EU public procurement law into UK law
- EU recognition of and support for co-operatives

² https://www.uk.coop/sites/default/files/uploads/attachments/brexit_safeguards_for_coops_march_2017_draft.pdf

2.4 How co-operatives can help to address challenges arising from Brexit

Co-operatives also provide potential solutions to challenges faced by business sectors in Wales post-Brexit. For example, co-operatives could help to address some of the issues faced by the Welsh agri-food sector following Brexit. With profound changes to the structure of support for the sector potentially arising from the UK leaving the European Union, co-operatives and indeed co-operation in the sector could play an important role in sustaining and developing different aspects of the agri-food supply chain. During November, the Wales Co-operative Centre will be launching a new research report exploring the opportunities for co-operatives in the agri-food supply chain in more detail. We would be happy to provide the Committee with a copy of this report.

As outlined in Section 2.2 above, potential economic instability resulting from Brexit may hit some of Wales' poorest communities hardest. This will compound a situation where traditional approaches to economic development are not working for the whole of Wales. Economic growth has become unbalanced and many communities across Wales are being left behind. We would argue that there is an opportunity to develop more bottom-up and collaborative approaches to local economic development, supported by successor funds to EU structural funding. Successor funds could focus on creating the conditions where strong, local, community-centric economies can flourish. We believe that the social enterprise and co-operative sector can be at the centre of these economies, playing a key role in creating more balanced economies. These are ways of doing business that deliver sustainable economic growth while fostering positive social change and innovation. Social businesses are anchored in their communities; investment in them stays in the community and is recycled for wider economic and social benefits.

3. Impact on other Wales Co-operative Centre projects

The Wales Co-operative Centre delivers a range of projects that help to create and retain wealth within our communities through the growth of co-operatives and social businesses and by providing people with the skills to take more control of their own lives and strengthen their communities. These are supported by a range of funders including Welsh Government, the Big Lottery Fund, Nominet Trust and Nationwide.

We believe that communities faced with uncertainties from Brexit and resulting economic instability may require increased support to overcome these challenges. This has potential to increase the demand for our projects and services. For example, a result of economic instability could be increased public sector austerity leading to public sector bodies seeking to offload more community assets. This could increase the demand for support from our Communities Shares Wales project. Economic instability that forces more people into challenging financial circumstances could also increase the demand for our financial inclusion projects.

4. Advice and support from Welsh Government to help prepare for Brexit

4.1 Advice, support, or assistance received from the Welsh Government to date in preparation for Brexit

The Wales Co-operative Centre has received information on Welsh Government's approach to Brexit in many ways, for example through the Council for Economic Development (CED) as well as in discussions with civil servants. At a CED meeting, the First Minister established a working group to focus purely on the business impact of Brexit and to report back to the Council. The Wales Co-operative Centre represents the social business sector on this working group. In addition civil servants are involving the Wales Co-operative Centre in their thinking about how business support might work post Brexit.

4.2 Advice and support needed from Welsh Government to help prepare for Brexit

While appreciating that there is still a great deal of uncertainty we would make the following points to help us as an organisation as well as the social business sector prepare:

- We would like assurances from Welsh Government that the kind of actions that European funds have supported in recent years to support social businesses continue to be a priority.
- We ask that social businesses sector have the opportunity to feed into the development of any successor funds.
- Given the likely increase in demand for their services, we are seeking assurances that social businesses will have access to support and advice to help them meet these challenges in a sustainable way.

Cynulliad Cenedlaethol Cymru | National Assembly for Wales
Y Pwyllgor Materion Allanol a Deddfwriaeth Ychwanegol | External Affairs and
Additional Legislation Committee
Gwydnwch a pharodrwydd: ymateb gweinyddol ac ariannol Llywodraeth Cymru i
Brexit| Resilience and preparedness: the Welsh Government's administrative and
financial response to Brexit
EAAL(5) RPB03
Ymateb gan FSB Cymru | Evidence from FSB Wales

FSB Wales welcomes the opportunity to contribute to the External Affairs and Additional Legislation Committee's inquiry into resilience and preparedness in response to Brexit.

FSB Wales is the authoritative voice of businesses in Wales. With 10,000 members, a Welsh Policy Unit, two regional committees and twelve branch committees; FSB Wales is in constant contact with business at a grassroots level. It undertakes regular online surveys of its members as well as a biennial membership survey on a wide range of issues and concerns facing small business.

Wales' economy is one that is based on the success of small firms – the vast majority of firms in Wales hire less than 25 people and most private sector employment in Wales is in SMEs. Therefore, it is crucial that Welsh and UK

Government work together to deliver a Brexit that ensures that these firms can have a bright and successful future.

FSB Wales' Brexit Research

To inform our response to Brexit, FSB carried out four work streams on areas of concern to smaller businesses. These were; access to markets, access to skills and labour, European funding and regulation. Each theme had a published UK-wide report setting out key recommendations for the UK (and where applicable Welsh) government.

This was supplemented with additional survey work specifically with FSB Wales members which we then synthesised into a report for Wales bringing together all four themes and contextualising them in relation to the Welsh Government's

Brexit White Paper. The resulting report *Making Brexit Work for Wales' Smaller Businesses* is attached to this letter for the committee's reference.

The report should provide a number of answers to the committee's line of inquiry including on the key issues facing the SME sector in Wales, some suggestions on how Welsh Government can support firms through the transition process and recommendations to help prepare SMEs for Brexit.

Brexit Preparedness Fund

As one might expect, this is an agenda that is moving quickly and there is a significant degree of uncertainty at present as to the nature of the UK's exit from the European Union. One recent development has been the Welsh

Government's agreement with Plaid Cymru for a £5m Brexit support package for businesses. FSB Wales believes there is merit in this funding being used to help Wales' SMEs to risk assess their business in relation to various Brexit scenarios. This could be delivered through Business Wales and would make use of existing Business Wales support programmes to help prepare those firms that have been risk assessed to deal with any consequences emerging from Brexit.

Conclusion

I hope you find the comments of this letter of interest and that our report *Making Brexit Work for Wales' Smaller Businesses* is able to inform your inquiry.

Introduction

1. Pembrokeshire County Council is pleased to have the opportunity to respond to this Inquiry into this important subject. The Council provides public services to around 123,000 people resident in Pembrokeshire, and many more who visit our county. We are responsible for seventy schools and 18,300 pupils; provide direct support to over 5,000 vulnerable people and own and manage over 6,500 homes. The Council maintains 2,500km of roads and 800 bridges. We provide licensing, public protection and environmental health services, which involves enforcing various EU directives and regulations.¹ Our regeneration function has been boosted by EU investment of around £73m since 1996² and this has allowed us to provide business and tourism infrastructure as well as many training opportunities and anti-poverty initiatives.
2. The Council's Medium Term Financial Plan 2017/18 to 2020/21³ identifies that a funding gap of £41.5m has already been addressed for 2014/15 to 2016/17 and that in the most likely scenario, a funding gap of £45.3m will emerge for 2017/18 to 2020/21.
3. A report considered by the Council's Cabinet on planning for Brexit in October this year⁴ identified that the UK's termination of its EU membership could have various impacts on both the local authority and Pembrokeshire. This report

¹ <https://www.pembrokeshire.gov.uk/performance-and-statistics>

² Breakdown available on request.

³ <https://www.pembrokeshire.gov.uk/finance-and-business>

⁴

<http://mgenglish.pembrokeshire.gov.uk/documents/s43214/9%2010%2017%20Cabinet%20Brexit%20Update.pdf?LLL=0>

drew attention to the report⁵ of the Centre for Economic Performance at the London School of Economics which identified that every local authority area in Britain would see its GVA fall under either a ‘soft’ or ‘hard’ Brexit scenario.⁶

4. It is natural that the Council should be concerned to ensure that Brexit does not complicate the already difficult circumstances in which local government is expected to deliver and improve its services.

What are the main issues facing your sector as a result of the UK’s withdrawal from the European Union, and how should the Welsh Government respond to these?

5. The report to our Cabinet referenced above identified a number of factors that Council officers felt could affect the local authority as a result of Brexit, though the list was no means exhaustive. Financial consequences are dealt with below. Those of a non-financial nature are:
 6. Increase in demand for some services: An increase in unemployment will make economic inactivity and the challenge of young people who are NEET harder to tackle. These three issues contribute to others such as poverty, substance misuse⁷, child and animal abuse, vandalism and crime⁸. All of these have an impact on the services the Council provides, including but not restricted to Social Care, Housing, Public Protection and Regeneration. In addition, the possible imposition of customs checks may increase the workload for Port

⁵ <http://cep.lse.ac.uk/pubs/download/brexit10.pdf>

⁶ By soft Brexit is meant that the UK remains within the Single Market. Hard Brexit means that the UK is subject to WTO rules. However it must be noted that trading on WTO rules is subject to successful negotiation with other WTO members and so is not automatic. See <https://www.politico.eu/article/us-rounds-on-britain-over-food-quotas-as-post-brexit-trade-woes-deepen/> .

⁷ <https://www.12keysrehab.com/blog/drug-abuse-and-unemployment>

⁸ <https://www.sciencedaily.com/releases/2010/10/101003081452.htm>;
<https://www.nspcc.org.uk/globalassets/documents/research-reports/understanding-links-child-abuse-animal-abuse-domestic-violence.pdf>

Health staff and there may be a need for border controls at Withybush airport. The low value of the pound may encourage more “staycations” as well as overseas tourists. While this could boost tourism, this would also increase demands for Council services, e.g. additional refuse.

7. Reduction in demand for some services: Mobile workers who are unable to find employment in the county may move elsewhere (the Murco experience supports this hypothesis). If families follow them there may be a reduction in demand for school places. A reduction of EU nationals in the county could have the same effect.
8. Loss of EU staff: The number of staff from the EU27 is low, just thirteen people. The Council also has five from British Overseas Territories and Crown Dependencies, and nine from the rest of the world. Some EU27 staff are in professional roles.
9. It is expected to be a bigger issue for businesses on which the Council depends to deliver services, for instance in the social care sector and in construction.
10. To these might be added potential changes in the regulatory environment, for instance for environmental health, consumer protection, public protection and state aid. Such changes would lead to increased training requirements.
11. An issue that was stressed by our Leader, Cllr David Simpson at the Council’s Cabinet meeting on 9 October, is the great uncertainty that Brexit brings and the difficulty of carrying out meaningful planning in such circumstances. Compounding this is the risk that valuable member and officer time could be absorbed in wasted work, and the incentive this provides to do nothing but rather focus on the job in hand.

12. What is needed is some way to remove some of this uncertainty in order to provide space in which policy responses can be formulated. This can be done by simplifying the number of possible futures into just a small number of scenarios based on latest intelligence about the progress of the exit negotiations, statements from HM Government, the European Commission and others, socio-economic evidence and high quality academic research etc.
13. Identification of these scenarios is best done at an all-Wales level and it is therefore a task that should fall to the Welsh Government. However, these scenarios must be openly shared with other organisations seeking to prepare for Brexit, and most particularly local government. These scenarios should include a no deal outcome, in which nothing is agreed, as well as the “hard
14. Brexit” outcome of leaving the Single Market and Customs Union for WTO rules. It should also be acknowledged that these scenarios will be refined over time as more information comes available but they will only be of use if they are shared as soon as they are ready in order to give the maximum possible time for their use. They will be of no value if they are constantly withheld pending further information.
15. We would also point out that Brexit will bring a period of rapid change for local government and all others. The temptation to introduce further changes or reorganisations will not assist in managing the fundamental changes Brexit will bring. Welsh Government should act to ensure as much stability as possible during this period.

What advice, support, or assistance have you received from the Welsh Government to date in preparation for Brexit?

16. We are not able to identify any advice, support or assistance provided by the Welsh Government to this Council to help our preparations for Brexit.

What financial considerations have arisen as a result of UK's withdrawal from the European Union and what should be done to prepare for these?

17. Expected financial considerations arising from Brexit have for the most part not yet come into play. Referring back to the Cabinet report, these are expected to be:
18. Reduction in external funding: EU programmes will not operate after 2021/22 and funding from these will peter out after March 2019. Although replacement funding has been promised, this may feed through the Barnett formula and so be much less than the EU programmes. This promised replacement funding may not be forthcoming or suited to our needs in terms of eligibility and/or targeting or in other ways.
19. This point also extends to an anticipated reduction in private sector involvement in regeneration proposals if (as we expect) developer confidence wanes as an effect of rising costs in the construction sector.⁹ In Pembrokeshire, this would take place in an area where property values are already low, which makes our area unattractive to developers since commercial returns are more readily available elsewhere.
20. Extension of austerity: A transfer of jobs and business (especially in financial services) to the EU27 is starting and can be expected to accelerate.¹⁰ Other businesses are failing as a result of the decision to withdraw from the EU.¹¹ This will weaken the UK's tax base, and so reduce tax receipts. The implication is that public spending must be reduced and/or tax rates increased.

⁹ <http://discoverandinvest.com/development-finance/how-has-brexit-impacted-property-developers/>

¹⁰ <http://www.independent.co.uk/news/business/news/city-of-london-brexit-plans-transition-period-clarity-square-mile-government-catherine-mcguinness-a8017681.html>;
<https://www.bloomberg.com/graphics/2017-brexit-bankers/>

¹¹ <http://news.sky.com/story/brexit-to-blame-as-machinery-rental-firm-hewden-nears-collapse-10662882>

21. Increase in bad debts: An increase in unemployment, more stubborn economic inactivity and more businesses in difficulty might be expected to make the collection of debts from these parties more difficult.
22. Reduction in income: A reduction in commercial confidence may be reflected in reduced income from planning fees. Business rates may also decline, although the effect on the Council is indirect.
23. Increases in costs: After Brexit, all imports to the UK will probably be subject to tariffs and VAT, which will affect all Councils through increased costs of energy, food and other items.
24. The significant depreciation of the relative value of sterling since the Referendum has led to direct financial consequences that we are already having to manage. Firstly the cost of imported goods are increasing, including food and energy, and this is driving general price inflation that must be financed. Secondly, the continuing cap on public sector pay, when combined with this general price inflation means that our employees' wages are declining in real terms. This affects our ability to retain and recruit staff. Finally, the sterling depreciation has caused the sterling value of the EU programmes to increase significantly.¹² The Welsh European Funding Office and the Welsh Government are looking to local authorities to take up some of this additional funding, but to do so we must provide additional match funding, which is difficult to find at a time of austerity.
25. With regard to this last point, greater flexibility and understanding on the part of the Welsh Government Ministers regarding their expectations for local government match funding would be very much appreciated. Currently, in the

¹² The WEFO planning rate for the ERDF and ESF programmes in September 2016 was £1:€1.25 whereas in September 2017 it was £1:€1.18. <http://gov.wales/funding/eu-funds/2014-2020/programme-monitoring-committee/?lang=en>.

'Building for the Future' programme for example, local government is expected to find at least 20% match funding from non-Welsh Government (including EU) resources. Such demands achieve no useful purpose and place unnecessary obstacles in the way of local government's attempts to find match funding to ease problems faced by other parts of the Welsh Government.

What advice or support would you like to see from the Welsh Government that will help you and your sector to prepare for Brexit?

26. There are a number of types of assistance that the Council would appreciate from the Welsh Government.
27. Firstly we are aware that work has been undertaken within the Environment & Rural Affairs portfolio in Welsh Government to map out a small number of evidence-based scenarios to provide a context within which planning for Brexit can take place. We do not know whether similar work has been conducted by other parts of the Welsh Government. We would find it extremely helpful if this work could be shared with local government to allow us to add local evidence and so similarly plan our policy response to a post-Brexit environment.
28. Secondly, and to develop this theme of sharing information, a secure platform, possibly cloud-based, to enable this sharing of information between central and local government as well as other key public services would be immensely beneficial. For wider consumption, Brexit updates by way of an e-newsletter would be helpful.
29. Thirdly, we would wish to see any differential regional impacts of Brexit taken into account in the spatial allocation of funding to local government, whether through Revenue Support Grant or discretionary regeneration funding. Allocating funding solely or partly by means of historical data will not be

equitable when Wales is facing such a sudden and significant change in its socio-economic circumstances.

30. We hope that these brief comments will be of interest to the Committee and will help inform the Inquiry. If anything is unclear, or if further information is needed, please contact Mr Gwyn Evans, European and External Funding Manager, Regeneration Division, Pembrokeshire County Council.

About Universities Wales

- 1.1. Universities Wales represents the interests of universities in Wales and is a National Council of Universities UK (UUK). Universities Wales' Governing Council consists of the Vice-Chancellors of all the universities in Wales and the Director of the Open University in Wales.

Introduction

- 1.2. As the UK and Welsh Government develop plans to seize the opportunities and minimise the uncertainty presented by exiting the European Union (EU), the university sector can make an invaluable contribution to a dynamic, outward-facing and competitive Wales.
- 1.3. Universities in Wales are committed to working with Welsh Government and others to navigate the best course for Wales and the rest of country as Britain exits the EU. Whilst the process of exiting the EU will bring challenges, universities welcome the opportunity to continue contributing to shaping solutions, and we are committed to maximising the opportunities it will present for Wales.
- 1.4. This submission outlines the main issues facing the sector as a result of the UK's withdrawal from the European Union, and includes further measures that Welsh Government can take to help universities prepare for exiting the European Union, following the questions suggested by the consultation guide.

Summary:

- 3.1 The implications of a UK withdrawal from the EU are likely to impact upon all aspects of Welsh higher education activity. Concerns for Welsh universities posed by the UK exiting the European Union include:
- Loss of structural funds
 - Increased barriers to recruiting talented European staff
 - Loss of funding for research and innovation and damage to international research collaboration
 - Increased barriers to recruiting European students
 - Reduced outward mobility opportunities for staff and students
- 3.2 A UK withdrawal from the EU will have severe financial implications for the higher education sector, in terms of direct funding lost and financial implications of reductions to student recruitment.
- 3.3 Whilst these are common implications across UK higher education, Welsh universities are disproportionately disadvantaged by projected losses of Structural Funding, and so the Welsh Government should continue to raise awareness of the unique reliance in Wales on these funds, and to argue for their replication post-Brexit.
- 3.4 Universities Wales has appreciated the creation of the Welsh Government Higher Education Brexit Working Group, in enabling the sharing of information, preparing for collective responses and facilitating shared work within the sector. Unis Wales has also been feeding into the First Minister's Brexit committee, and we have appreciated being able to articulate the concerns of the higher education sector within this forum.

1. What are the main issues facing your sector as a result of the UK's withdrawal from the European Union, and how should the Welsh Government respond to these?

Loss of Structural funds

- 4.1 European Structural and Investment Funds (ESIF) play a crucial role in supporting universities to generate local growth and jobs by turning ideas and research discoveries into new companies, by fostering entrepreneurship and employability, and by attracting talented people to study, work and spend in their areas.
- 4.2 Universities in Wales receive a significant amount of funding from European Structural Funds, and this continues to provide vital investment and funding for projects and infrastructure that contribute towards economic and social growth in Wales.
- 4.3 European Structural Funds have also played an important role in both innovation funding in Wales, and private investment in research and development. High quality research and innovation are the bedrocks of a growth economy, and have knock-on benefits for all communities across Wales.
- 4.4 As the third largest recipient of structural funds in the last round, universities are very exposed to the withdrawal of this funding. It is crucial that this funding for infrastructure and capacity-building is maintained, regardless of whether this comes from the EU or national budgets.
- 4.5 A full discussion on implications of loss of such funding is provided in question three.
- 4.6 Unis Wales is calling on UK Government to **Sustain or replace European Structural Funds at a devolved level** following the UK's withdrawal from the EU

so that Welsh universities can continue to deliver the maximum economic and social impact in communities across Wales.

- 4.7 UK Government policy to drive growth across the UK's regions and nations post-Brexit should, as structural funds do, focus on the poorest parts of the UK, which includes Wales.

Increased barriers to recruiting EU staff

- 5.1 EU staff play a critical role in supporting the excellence of Wales' research base, as well as the quality and diversity of teaching provision. The latest HESA information indicates that there were 1,355 staff from the EU at Welsh universities (academic and non-academic staff).
- 5.2 The excellence and global competitiveness of Wales' research base relies on attracting and retaining the most talented researchers to pursue ground-breaking projects at Welsh universities, regardless of where they come from. Inability to recruit and retain the best researchers has serious risk of damaging our internationally excellent research reputation and losing the beneficial impact Wales' research has on Wales. The outstanding results of Welsh universities in the Research Excellence Framework (REF 2014) were reliant on high performing research teams, many of which are strengthened, if not dependent on, international mobility.
- 5.3 In recognition of the contribution made by EU staff, Universities Wales is of the strong opinion that the UK Government must make a clear and unequivocal statement affirming that staff from the EU's future right to reside, alongside their dependents, will not be brought into question following the UK's exit from the EU and invest in promotional efforts to support the attractiveness of the UK as a destination for talent.

- 5.4 In the long term, we urge the UK Government to affirm that it is a priority to ensure that future EU staff coming to the UK will not be impeded by an unwelcoming system of unnecessary bureaucracy regardless of the wider immigration status of EU nationals.
- 5.5 Universities Wales is concerned about either an income threshold or a skills level threshold for workers from the EU until further investigation of the staff grades of EU staff had been examined e.g. highly-specialised technical staff. Whilst this is a matter for UK Government, it is important that Welsh Government, working with Welsh universities, **consider the specific skills shortages and geographic challenges** in Wales compared to the rest of the UK.

Loss of funding for research and innovation and damage to international research collaboration.

- 6.1 Collaboration is fundamental to Welsh research excellence, profile and impact. Internationally co-authored papers have 50% more impact than papers authored at national level: any obstacles to collaboration risk undermining the strength and profile of the UK's research base
- 6.2 The EU incentivises and supports international research collaboration, and the UK currently does disproportionately well in securing this funding, receiving £836m in research grants and contracts from EU sources in 2014/15 alone. Welsh universities received over £40m in EU research funding,
- 6.3 The UK's exit from the EU has resulted in uncertainty regarding the status of current bids and prospective bids which are likely to run past the date on which the UK formally leaves the European Union, undermining the

attractiveness of EU funding for Welsh researchers, as well as the attractiveness of Wales as a prospective partner for European researchers

- 6.4 If the UK does not reach an agreement with the EU, UK researchers' ability to participate in the current EU research programme, Horizon 2020, would come to a sudden end in 2019. Without a deal the UK will be relegated to 'third country' status within Horizon 2020 and future EU research programmes. This severely restricts UK participation, meaning that researchers are no longer able to bid for research funding or play a significant role in collaborative projects with EU partners through EU programmes
- 6.5 Longer term, a solution will need to be arrived at whereby UK researchers retain the same, and ideally expanded, opportunities for collaboration inside Europe and new bilateral and multilateral cooperation schemes with priority partners globally are established.
- 6.6 Universities Wales urges the Welsh Government to continue working with the UK Government to use the Brexit negotiations to secure continued UK participation in Horizon 2020 for the remainder of the programme. Furthermore, Welsh Government should work with UK Government to secure close collaboration with European partners to deliver excellent research in the long-term. Provided the 9th Framework Programme (FP9) maintains a focus on excellence, the UK government should seek access to it, as well as influence over its future shape.

7. Increased barriers to recruiting European students

- 7.1 Overseas students make an enormous contribution to Wales – academically, culturally and economically. There were 5,424 EU students of all modes and

levels (i.e. Full and Part Time, Undergraduate and Postgraduate) at Welsh universities in 2014/15, equivalent to 4% of the student population. EU students in Wales generated £150.3m for the Welsh economy and over 1,400 FTE jobs across the country in 2014/15.

- 7.2 Changes to visa regulations and uncertainty as to long-term EU citizen's rights would lead to EU citizens wishing to come to the UK being unclear on visa requirements and eligibility, and facing an increase in bureaucracy and cost. This would likely lead to a fall in EU students applying to study in Wales.
- 7.3 A drop in student recruitment from the EU will have a significant financial impact on all Welsh universities and would adversely affect the diversity of the student body, which broadens perceptions and prepares our graduates for an increasingly global world of work
- 7.4 Regardless of the final settlement between the EU and the UK, it is important that the Welsh Government continues to **publicly affirm the value** placed on EU students and their contribution to Welsh universities, invests in supporting future recruitment overseas through promotional activity, and provides reassurances to current EU students that they will remain welcome in Wales following its departure from the EU
- 7.5 Furthermore, Welsh Government **should consider any adverse effects on reciprocity** i.e. how decisions will affect Welsh students in, and wanting to study in EU universities
- 7.6 Post-Brexit, universities in Wales are anticipating that EU students will be treated on the same basis as current international students, both in respect of student fees and access to student finance. It is imperative however, we remain open to well qualified international students in the future, including EU

students and their dependents, regardless of the wider agreement reached on the immigration status of EU nationals. Putting up unnecessary barriers to what are, in effect, export earnings, would be illogical in a post-Brexit world.

Reduced outward mobility opportunities for staff and students

- 8.1 The Erasmus+ is a significant programme for student outward mobility, responsible for some 46% of all current mobility of UK students. Erasmus+ programme provides students and staff the opportunity to gain vital international skills and experience.
- 8.2 A reduction in mobility opportunities for students would negatively affect the student experience, reduce diversity on campuses, have a detrimental effect on the development of graduates' skills, and some language courses, where study abroad is compulsory, could become vulnerable
- 8.3 Whilst Universities Wales will urge the UK Government to prioritise negotiating continued participation in Erasmus+, at the same time we are keen to work with Welsh Government to consider **further domestic policy interventions to support Welsh students and staff** in gaining the international skills and experience necessary to support Wales as a global trading nation.

2. What advice, support, or assistance have you received from the Welsh Government to date in preparation for Brexit?

- 9.0 We welcome the commitment by Welsh Government in their Programme for Government to “better utilise our existing relationships with Welsh universities to help sell Wales to the world following the Brexit vote – and work with the sector to ensure protection for students, and important research grants.”

9.1 Universities Wales worked with the Welsh Government to establish the HE Brexit Working Group, which has the following objectives:

- To support HEIs (and WG) in understanding the implications of the various Brexit options and preparing for the impact of Brexit on the HE sector;
- To seek to influence the UK Government's negotiations with the EU;
- To seek to influence the UK Government's development of its post-Brexit policies and plans for higher education;
- To contribute to the First Minister's work on relationship building with other EU and non-EU countries and regions;
- To raise awareness more widely (with other stakeholders and the public) as to the implications of Brexit for higher education;
- To develop a vision for the post-Brexit future of HE in Wales and secure HEIs' commitment to it.

9.2 Unis Wales has found the WG HE Brexit Working Group useful in facilitating the sharing of intel, in bringing the sector together to coordinate work on shared issues, and ensuring the views of the sector are communicated to the Welsh Government, and in turn are fed into their own Brexit work.

9.3 Two of our Vice Chancellors are members of the First Minister's Brexit Committee, which we have valued as a further platform through which to engage with the Welsh Government's work on Brexit

9.4 Universities Wales are meeting the First Minister later this month, which will give Vice Chancellor's the chance to directly communicate their concerns and priorities for the Welsh Government's work on Brexit.

- 9.5 We value the opportunity to continue contributing to National Assembly Committee responses/evidence sessions.
- 9.6 Given our international outlook, expertise and quality research, universities are well placed to provide support and solutions for the challenges posed by Brexit. Whilst the interaction we have had to date has been positive, it is crucial that moving forward, our universities, as national assets, are fully involved, engaged and their expertise utilised in the Welsh Government's plans for, and transitioning to, a post-Brexit Wales.

3. What financial considerations have arisen as a result of UK's withdrawal from the European Union and what should be done to prepare for these?

Loss of research funding and Structural funds

- 10.1 European Structural and Investment Funds (ESIF) play a crucial role in supporting universities to generate local growth and jobs by turning ideas and research discoveries into new companies, by fostering entrepreneurship and employability, and by attracting talented people to study, work and spend in their areas. As the third largest recipient of structural funds in the last round, universities are very exposed to the withdrawal of this funding. It is crucial that this funding for infrastructure and capacity-building is maintained, regardless of whether this comes from the EU or national budgets. Welsh Government should continue to articulate the case for continued structural funds, ensuring any replicated funding model distributes funding on a needs-based, place-based and flexible approach, ensuring funding targets the poorest areas of the UK, whilst recognising localised economic and innovation needs.
- 10.2 In 2015 alone, almost £25 million of ERDF funding was approved for proposals led by universities in Wales to enhance R&I infrastructure and

build capacity, namely through the Aberystwyth Innovation and Enterprise Campus and Cardiff University's Brain Research and Imaging Centre.

- 10.3 Wales has received over £4bn in Structural Funds since 2000 and we understand this presents a challenge for Welsh Government in terms of shaping their future economic strategy. Universities Wales is committed to working with Welsh Government to look at future proposals that avoid 'pockets' of replacement funds but consider strategic capital funding plans to achieve their ambitions for Wales whilst utilising the role of Welsh universities as economic and social anchors in many of Wales' regions.
- 10.4 In 2014/15 the total EU research grants and contract income for Wales was approximately £46 million. This represented around 21% of total research grants and contracts income in Wales for that year. However, financial statements will only provide a historic view of the income that universities have received from EU sources. Of much more significance is the income that they are forecast to receive from projects currently funded, or in the process of being funded by the EU.
- 10.5 Universities Wales want to continue as close participation as possible in the European Research Area, including full participation in Horizon 2020. The latest Horizon 2020 total for Welsh universities (to date) was **€40,889,510.39**. However, if the UK is no longer able to access frameworks such as Horizon 2020, we risk the loss of access to collaboration – equally as crucial as funding.
- 10.6 Welsh universities have the highest percentage of 'world leading' research in terms of its impact of any part of the UK, with almost half of it considered to be having a transformational effect on society and the

economy¹. Much of this can be attributed to these international collaborations, which have been crucial to addressing global challenges. Long term economic growth is above all determined by knowledge accumulation and technological progress² and there are few sectors of the Welsh economy with the capacity or scope to grow and generate export earnings as well as universities³. It is imperative for Wales that our universities are still able to access the both the most talented researchers and all available funding streams, underpinned by sufficient capital investment, in order to continue delivering these benefits for Wales and play their crucial role in growing prosperity in Wales.

Reduction of EU student numbers:

- 10.7 A drop in student recruitment from the EU will have a significant financial impact on all Welsh universities
- 10.8 Such a drop would have a knock-on financial impact on the wider economy. EU students in Wales generated £150.3m for the Welsh economy and over 1,400 FTE jobs across the country in 2014/15.
- 10.9 A reduction in EU student numbers would also adversely affect the diversity of the student body, which broadens perceptions and prepares our graduates for an increasingly global world of work.

4. What advice or support would you like to see from the Welsh Government that will help you and your sector to prepare for Brexit?

¹ 2014 Research Excellence Framework (REF)

² OECD, *The OECD Innovation Strategy - Getting a head start on tomorrow*, 2010.

³ Welsh Government, *Programme for Government Annual Report 2012*, p.3 & 6.

- 12.1 Universities need clarity, stability and a reduction in uncertainty. While negotiations continue, albeit at a slow pace, we are conscious that if our universities are to thrive post-Brexit, clarity is required on some key areas including access to European research networks and funding; student and staff mobility programmes; post-Brexit immigration policy and EU student fees and loans. We urge the Welsh Government to continue working to secure clarity on these areas from the UK Government.
- 12.2 Universities in Wales are committed to working with Welsh Government and others to navigate the best course for Wales and the rest of country as Britain exits the EU. Whilst the process of exiting the EU will bring challenges, universities welcome the opportunity to continue contributing to shaping solutions, and we are committed to maximising the opportunities it will present for Wales.
- 12.3 Although the Interaction we've had to date has been positive, it is crucial that going forward our universities, as national assets, are fully involved, engaged and utilised in WGs plans for, and transitioning to, a post Brexit wales.
- 12.4 This should include in particular, the economic strategy, as Wales' universities are, and can be even more, crucial to increasing Wales' productivity and prosperity.
- 12.5 Our universities in Wales are internationally competitive and a major economic asset, that bring widespread benefits to individuals, communities, the nation as a whole and government in Wales. The total combined impact of Welsh universities and their students on Wales' GVA came to nearly £2.4 billion – equivalent to 4.6% of all Wales GVA in 2013. Welsh universities bring in a total of £413 million of export earnings⁴ and income to Wales

⁴ £218 million international revenue and £195 million off-campus expenditure of international students

through knowledge exchange between universities and the public, private and third sectors was £201 million in 2013/14⁵.

- 12.6 Universities can play a central role in driving inclusive economic growth locally, regionally and nationally; improving productivity as part of a new industrial strategy; and strengthening our international trade and diplomatic relationships across Europe and the wider world.
- 12.7 Continued communication and cooperation between the Welsh Government and the higher education sector through Universities Wales will be essential in ensuring universities continue to contribute to shaping solutions to the challenges posed by Brexit.
- 12.8 To facilitate this, the WG HE Brexit Working Group should continue to meet, and communication between ministers and the First Minister and Universities Wales should continue.

⁵ Higher Education Business and Communities Interaction (HE-BCI) survey

I would like to emphasise the following points:

The economic implications of the UK's exit from the European Union for Welsh speakers and Welsh-speaking communities are a cause for concern. Among other implications, Brexit could:

- undermine the provision of programmes and projects in Wales that are fundamental to creating skilled bilingual workforce and supporting the use of Welsh in the community and in business; and
- Impact on economic sectors that are important to Welsh speakers and to a large extent sustain Welsh-speaking communities.

It is absolutely essential that Brexit does not undermine the efforts to create more Welsh speakers or to increase the use made of the Welsh language.

I welcome the clear commitment of the Welsh Government to safeguard rural areas where the Welsh language is strongest from any detrimental effects of Brexit on the agricultural sector. However, as the process of leaving the EU continues, I believe it is essential that its impact on the Welsh language receives due consideration in all aspects of the work of the Government.

In that regard, I would argue that the extent of the economic impact of Brexit on the Welsh language should be recognised in connection with other sectors of the economy, such as creative industries and post-16 education, as well as programmes and projects that have potential to combine economic and linguistic benefits. Following on from that, it is essential that the Government, as a matter of urgency, makes plans to mitigate the detrimental effects on the Welsh language and those who use it.

1. The context of this response

The principal aim of the Welsh Language Commissioner is to promote and facilitate the use of the Welsh language. In doing so the Commissioner seeks to increase the use of the Welsh language with regard to the provision of services, and via other opportunities. In addition, she has regard to the official status of the Welsh language in Wales and the statutory duties to use Welsh by imposing standards.

Two principles underpin the Commissioner's work:

- the Welsh language should be treated no less favourably in Wales than the English language;
- Persons in Wales should be able to live their lives through the medium of the Welsh language if they choose to do so.

One of the strategic aims of the Commissioner is to influence the consideration given to the Welsh Language in policy development. Comments are submitted in accordance with this remit and in acting as an independent advocate on behalf of Welsh speakers in Wales. This approach is pursued in order to avoid any possible compromise of the Commissioner's regulatory functions, and should the Commissioner wish to review formally the performance of individual bodies in accordance with the provisions of the Measure.

Accordingly, the comments below are submitted in relation to the remit of the inquiry.

2. Economic impact of Brexit on the Welsh language – specific programmes and projects

It is fair to say that it is unclear at present what impact Brexit will have on the Welsh economy. However, it is possible to highlight several aspects of the economy

likely to be affected by Brexit which also have a direct or indirect impact on Welsh speakers.

On the one hand, attention may be drawn to the role of European funding in supporting specific programmes and activities with potential to combine economic and linguistic benefits. These include training programmes contributing to creating skilled bilingual workforce; and projects supporting the use of Welsh in the community and in business by capitalizing at the same time on the language as an economic asset. One example is 'Skills for the Digital Economy', a £4.38 million programme delivered between 2011 and 2015 with the financial assistance of the European Social Fund offering training in the creative field in order to promote a competitive industry in Wales. The project set a target of 20 per cent participation by Welsh speakers.² According to an interim evaluation it delivered well against that target between 2011 and 2013. This is important as research shows that there is a clear demand for Welsh speakers in the creative industries sector, particularly in sub-sectors such as radio, interactive media, advertising, film and animation.

Another example is the Urdd Gobaith Cymru programme 'Routes to the Summit' operated between 2009 and 2013 with financial support of the European Social Fund. The aim of the project was to give opportunities to young people to develop skills connected to the workplace, support their personal and social development, and help them develop through the medium of Welsh in their local communities. According to the programme evaluation, it succeeded to work with 7,293 young people between 11 and 19 years old; give qualifications to 2,056 of them; and increase the awareness of opportunities available through the medium of Welsh. According to an article in the press in June 2016, between 2009 and 2013 the Urdd received £4 mln of European funds towards 'Routes to the Summit' and other activities. Sioned Hughes, Chief Executive of the Urdd, said in the same article that her biggest concern is that young people and children in Wales will lose opportunities when the European funding comes to an end.

There are also examples of organizations in Wales attracting European funds for projects to support the use of Welsh in the community and in business by

capitalizing at the same time on the language as an economic asset. For example, Menter Iaith Conwy succeeded in attracting a grant of £85,000 to create a Welsh-medium nursery in Llandudno Junction. The nursery was opened officially in February 2016. It appears that by June 2016 the nursery was offering the service to 30 children and employing nine staff. More recently Four Cymru attracted financial support from European Agricultural Fund for Rural Development to deliver project 'Welsh Medium Labour Market', in partnership with Mentrau Iaith Cymru. The aim of this project is to 'develop the Welsh language as an economic catalyst to develop and revitalise the Rural Wales'.

3. Economic impact of Brexit on the Welsh language – general effect on the economy

On the other hand, Brexit could have a more general impact on the sectors that provide important areas of employment for Welsh speakers and sustain Welsh-speaking communities. It is generally argued that there is an inter-relationship between the economy and the viability of Welsh-speaking communities. We know from the 2011 Census and further research that agriculture, hospitality and food services are amongst the sectors with high numbers and percentages of Welsh speakers. As the Welsh Government recognises, these are the areas of employment that support communities in rural areas where the percentages and numbers of Welsh speakers are high traditionally but where they have decreased over the last decade.

EU support for these sectors is far-reaching. In addition to funding such as the European Maritime and Fisheries Fund and the EU Structural Funds, there are programmes providing support specifically to rural communities. These include payments under the Common Agricultural Policy that is subsidies scheme worth £200–£274 million a year to Welsh farmers and landowners. Financial support is also available via the Rural Development Programme, which provides '£957 million to support businesses, farmers, the countryside and communities in rural areas'.

Although it is not yet known what the structure and scale of the support to the sector after leaving the EU, the potential implications are a cause for concern. The

Welsh Government argued that the Welsh farming and food sector could face a 'direct threat' if there is any barrier preventing Welsh businesses from having access to the Single Market. According to evidence submitted recently to the EU Select Committee in the House of Lords, 92 per cent of the sector's exports go to the EU. The Committee heard about the cultural importance of the agricultural sector, particularly in the Welsh heartland, and the possibly 'destructive' impact Brexit could have on economically vulnerable rural communities.

However, other sectors of the economy are likely to be affected, with two-fold implications for Welsh speakers and the local economy. For example, S4C and the BBC commissioned the successful drama 'Hinterland' with European financial support from the EU's MEDIA programme and then Creative Europe. Arad Research found that the filming of the first series of the drama in Ceredigion contributed £1 million to the local economy. Although Fiction Factory, the company who produced 'Hinterland', is based in Cardiff Bay, we know that S4C commissions Welsh-medium content from a large number of other independent companies from across Wales. We also know from S4C's 2014/15 annual report that 42 per cent of the channel's investment was apportioned to North and West Wales, which are economically disadvantaged areas. It can be argued that Brexit will influence the ability of S4C and others in the sector to take advantage of opportunities to attract financial support, and thus also their impact of the Welsh language and the economy.

It is also possible to draw attention to the implications of Brexit for post-16 education sector. In addition to its economic impact, this sector has a central role in the efforts to create skilled bilingual workforce. At the moment, the organizations in the sector benefit from funding sources such as Horizon 2020 to support research and innovation; Erasmus+ to support exchange of students and staff with educational institutions abroad; and the Structural Funds for various training programmes. According to the Institute of Welsh Affairs, the universities in Wales benefit from about £35 million of European funds towards research per annum. According to Colleges Wales, it is expected that Wales will receive investment of over £740 million of EU funds between 2014-2020 through Structural Funds Programme, with over £320m million of this sum dedicated to improving the skill levels of the workforce. Colleges Wales noted as well that over

4.25 million euro was dedicated for further education sector in Wales towards Erasmus programme between 2011 and 2015.

It is true that the use of Welsh language in post-16 education remains low. One example is the limited use of the language in apprenticeships programmes, which are offered in Wales with financial support of the European Social Fund. However, it is essential that financial implications of Brexit do not undermine the efforts to improve the current situation; nor the existing opportunities for Welsh speakers in the sector.

The economic implications of the UK's exit from the European Union for Welsh speakers and Welsh-speaking communities are a cause for concern. It is absolutely essential that Brexit does not undermine the efforts to create more Welsh speakers or to increase the use made of the Welsh language.

1. Response of the Welsh Government to date

In the above context, I welcome the clear commitment of the Welsh Government to safeguard rural areas where the Welsh language is strongest from any detrimental effects of Brexit on the agricultural sector. However, there has been little consideration of the Welsh language to date in discussions on the economic implications of Brexit more generally – for example there was no attention to the Welsh language in the Government's document 'Securing Wales' Future' (2017). As the process of leaving the EU continues I believe it is essential that its impact on the Welsh language receives due consideration in all aspects in all aspects of the work of the Government.

In that regard, I would argue that the extent of the economic impact of Brexit on the Welsh language should be recognised in connection with other sectors of the economy, such as creative industries and post-16 education, as well as specific programmes and projects that have potential to combine economic and linguistic

benefits. Following on from that, it is essential that the Government, as a matter of urgency, makes plans to mitigate the detrimental effects on the Welsh language and those who use it.

Cynulliad Cenedlaethol Cymru | National Assembly for Wales

Y Pwyllgor Materion Allanol a Deddfwriaeth Ychwanegol | External Affairs and Additional Legislation Committee

Gwydnwch a pharodrwydd: ymateb gweinyddol ac ariannol Llywodraeth Cymru i Brexit | Resilience and preparedness: the Welsh Government's administrative and financial response to Brexit

EAAL(5) RPB07

Ymateb gan Cytûn: Eglwysi Ynghyd yng Nghymru | Evidence from Cytûn: Churches Together in Wales

Introduction

Cytûn (Churches Together in Wales) brings together the main Christian denominations of Wales, and a number of other Christian organisations, to work together on matters of common concern. The 17 member denominations have around 165,000 adult members in every community across Wales, and regular contact with many more adults, children and young people. A full list of member churches and organisations can be found at: <http://www.cytun.cymru/us.html>

The Wales & Europe Working Party was founded in the aftermath of the June 2016 referendum to enable the churches to work together in responding to the result and the many resulting changes in the life of the nation. All member churches of Cytûn are involved. Resources published by the Working Party can be found at: www.cytun.cymru/waleseurope

We would welcome the opportunity to be involved further in the work of the Committee. Any queries should be directed to the Revd Gethin Rhys, National Assembly Policy Officer for Cytûn, at gethin@cytun.cymru. This response may be published in full.

What are the main issues facing your sector as a result of the UK's withdrawal from the European Union, and how should the Welsh Government respond to these?

- 1.1 Probably the most pressing issue for the Christian churches in Wales is the uncertainty facing those members of our congregations who are citizens of other European Union countries, and who are living legally in Wales by

virtue of that citizenship. From immediately after the referendum, Cytûn and our member churches have been urging the UK Government to secure the position of these citizens in UK law. We are grateful for the reassuring statements which both Welsh and UK Governments have issued in this regard, but we would urge the Welsh Government to continue to press for immediate resolution of these questions. We are concerned at any proposals for future 'settled status' for EU citizens which might depend on the economic status of these individuals, e.g. by being tied to employment or to having the private means to sustain themselves without recourse to the state. We believe that existing citizens and their dependent families – including those who might become dependent on them in future (such as elderly parents in other EU countries) should be assured of the right to live legally here and to access health, social care and social security.

1.2 Although Christian churches are less dependent than many other parts of the third sector in Wales on public funding, we are concerned both on our own behalf and on behalf of the wider society regarding the uncertainty regarding the future of external funding for schemes which benefit our society. The loss of EU structural funds is a particular concern in Wales, as the uncertainty imperils a range of schemes from very small grants to community groups up to major infrastructure projects and projects supporting employability of unemployed and economically inactive people. We are especially concerned about:

- suggestions that the proposed UK Shared Prosperity Fund will be allocated solely by the UK Government, and the current role of Welsh Government in allocating EU funding may be much curtailed or removed altogether. We would urge Welsh Government to assert that the principle of subsidiarity should continue to apply with regard to allocating any UK wide funding of this kind.
- suggestions that a funding formula may be introduced for distributing the UK SPF which is not purely needs-based, as at present, but which aims to disperse funds more widely by using a partly population-based formula. This would inevitably reduce substantially the funds available to West Wales and the Valleys.
- the potential watering down or loss of social, as opposed to purely economic criteria, for allocating funding, as with the current European

Social Fund. While we support funding for economic regeneration, we believe as Christian churches that tackling the long-term social causes of economic deprivation– such as disability and long-term illness, dependency, offending – should be addressed through the ‘shared prosperity’ of the UK. This is an urgent issue for Wales given that in the West Wales and the Valleys LEP spend in the ESF round 2014–20, as allocated by April 2016, is £101.53 per person, more than double any other area in the UK.¹

1.3 Our churches and chaplains serving the rural community continue to report deep concern and uncertainty amongst the farming community and those economically dependent on it regarding the future of agricultural support payments. The fear expressed to us by members in rural churches is that rural communities could suffer a disproportionate ageing population, unsustainable health services, young people moving east for jobs and a fragmented way of life with great damage to the sustainability of the Welsh language. We therefore believe that any new system of financial support should be targeted at sustaining agriculture as one of Wales’ few remaining primary producing industries. This will in turn sustain other vital elements of the rural economy. We are aware that the current uncertainty as to whether these matters will be decided at UK or Welsh level causes difficulty for the Welsh Government, but we would urge that contingency preparations be made on the assumption that key decisions will need to be made by the National Assembly and Welsh Government.

What advice, support, or assistance have you received from the Welsh Government to date in preparation for Brexit?

We are not aware of any specific advice being given. We are aware that some local authorities which fund church-based projects have been engaged in some liaison in relation to planning for future funding arrangements and work has been done to alert UK Government to the funding needs that will

¹ <http://policyinpractice.co.uk/brexit-whats-next-esf-local-authorities/>

still exist once EU funds end. This is positive and constructive but, as far as we are aware, it has met with no response from UK government at this stage.

What financial considerations have arisen as a result of UK's withdrawal from the European Union and what should be done to prepare for these?

See para 1.2 above.

What advice or support would you like to see from the Welsh Government that will help you and your sector to prepare for Brexit?

We are aware that the difficulty facing the Welsh Government in this situation is that which faces the whole UK, viz. that it is very hard to prepare for the unknown. We are aware of the efforts being made through the JMC (EN) and in other ways to put pressure on UK government to firm up positions and progress negotiations more quickly.

We are aware also from debates in the Senedd chamber that any discussion of preparations for leaving the EU remains highly charged politically, and that much of the debate has failed to move on from the arguments used by either side in the June 2016 referendum. While we appreciate the difficulty facing all those in political positions at this time, we would urge that every effort be made to seek cross-party consensus and, more importantly in this instance, consensus between those who campaigned to Remain and those who campaigned to Leave, in order that united leadership may be offered to the public and to the UK Government on at least on certain key issues (such as the issue of EU citizens, as seen in 1.1 above).

We are aiming to arrange some public meetings during 2018 in various parts of Wales to see if we as churches can contribute to a more constructive and reconciled public debate.

Cynulliad Cenedlaethol Cymru | National Assembly for Wales
Y Pwyllgor Materion Allanol a Deddfwriaeth Ychwanegol | External Affairs and
Additional Legislation Committee
Gwydnwch a pharodrwydd: ymateb gweinyddol ac ariannol Llywodraeth Cymru i
Brexit| Resilience and preparedness: the Welsh Government's administrative and
financial response to Brexit
EAAL(5) RPB08
Ymateb gan Academi Colegau Meddygol Brenhinol Cymru | Evidence from The
Academy of Medical Royal Colleges Wales

Our submission highlights the joint concern from the Academy of Medical Royal Colleges and the Academy of Medical Royal Colleges Wales about what needs to happen to maintain the quality and standards of health and social care in the UK following the decision to withdraw from the EU.

Please note that this is a consensus view from Academy membership through discussion and may not fully represent the expressed views of individual member colleges and faculties.

About the Academy of Medical Royal Colleges Wales

- The Academy of Medical Royal Colleges Wales (Wales Academy) brings together the voices of its member colleges and Faculties for overarching generic issues around healthcare.
- The Wales Academy role is to promote, facilitate and at times, coordinate the work of the

Medical Royal Colleges and their Faculties for the benefit of patients and healthcare in Wales.

- The Wales Academy is an independent committee accountable to the Academy of Medical Royal Colleges (AoMRC) board of trustees. We aim to work collaboratively with the AoMRC and be the Welsh voice within that but responding to the unique needs and systems of Wales.

Initial Response

1. Whatever the views of member organisations or individuals on the merits or otherwise of the decision to leave the EU, the joint concern of both the AoMRC and the Wales Academy is about what needs to happen to maintain the quality and standards of health and social care in the UK following the decision to withdraw from the EU.

2. It is our joint hope that the best aspirations of the Leave campaign can be delivered and the worst predictions of the Remain campaign are avoided.

3. Royal Colleges have identified a number of areas which must be addressed as part of the Brexit negotiations (highlighted in Question One). These include:

- Recognition of medical qualifications
- Maintaining medical research links and funding
- Continued cooperation on public health issues
- Reciprocal healthcare arrangements and
- Regulation of medical devices.

4. These, however, are technical issues. The Wales Academy believes the greatest challenge will be the likely impact on the size and skills base in both health and social care. All levels of the health and social care system rely heavily on staff from the EU and could not operate effectively without them. This concern should also be considered in the context of current staff shortages which affects all specialties.

5. Overall, there has been a long-held belief within Colleges that the UK must train more doctors and healthcare staff. Following the referendum result, the need for the UK to train more health and social care staff has become critical.

Question One

What are the main issues facing your sector as a result of the UK's withdrawal from the European Union, and how should the Welsh Government respond to these?

Response:

6. Following consultation with its member organisations the AoMRC has agreed:

- A set of principles that should be followed to maintain quality and standards in the NHS, healthcare and public health following the decision to leave the EU
- Specific issues that will need to be addressed by Government or other national bodies in negotiations on withdrawal from the EU.

Overarching principles

7. The AoMRC has agreed the following overarching principles which should both guide Government negotiators and be used as a benchmark to judge proposals from Government:

- Health is international
- Ensuring the continued protection of the public's health in terms of both communicable diseases and environmental standards
- Ensuring that the health inequalities gap is not widened and indeed addressed through economic development targeted at highest need areas
- Support for the continued free movement of clinical and academic medical and health workforce staff (subject to appropriate standards) needed to resource the NHS from medical school to consultant and GP

- Ensuring academic and research links including medical science and funding streams remain open and are maintained as part of a competitive programme
- Ensuring the unencumbered flow of scientific and academic data
- Ensuring there is a clear route for national and international medical opinion to UK Government and devolved nations
- Ensuring involvement for key UK and devolved nation health agencies with European and linked International bodies e.g. medicine regulation, specialty bodies
- Maintenance of uniform, agreed clinical and educational standards instituted by the medical royal colleges and faculties
- Protecting safeguards for worker health currently enshrined in EU regulatory framework Issues for Government and national agencies to address

Issues for Government and national agencies to address

The AoMRC has identified the following specific issues will require action by Government or other national bodies.

Retention and recruitment of EU staff

8. An estimated 144,000 EU nationals work in health and social care in England with additional staff working in services in Northern Ireland, Wales and Scotland.

9. Clearly the system could not be sustained if that workforce was lost and we believe it is essential that commitments are given to them in terms of their future. We believe action is vital to reassure EU staff of their value, to stop significant departure of staff and to maintain services.

10. In the longer term we believe that the NHS will continue to need EU and other overseas staff in clinical and non-clinical posts at all levels to maintain services. Specifically in terms of medicine, the AoMRC believes the availability of medical staff from the EU should not be restricted.

Science and research

11. The UK scientific community is concerned about the impact of leaving the EU on UK science and research and this is particularly applicable in relation to medical science. The UK's success in attracting EU research funding reflects its acknowledged position as a leader in research and innovation which Brexit potentially puts at risk to the detriment not only of the UK but also the rest of the EU.

12. The Academy of Medical Sciences has identified three threats. Firstly funding – the UK has hugely benefited from EU research funding, receiving €8.8 billion between 2007–2013 despite only contributing €5.4 billion to the EU research budget over the same period and it has also been hugely influential in how funding is allocated. Secondly, the potential restrictions to the free movement of talent undermining the benefits of collaboration. Thirdly, the value of EU research regulations on issues such as clinical trials, data sharing and animal testing etc. The Brexit negotiations must develop clear and coherent plans to safeguard scientific research in the UK.

Regulation of Medicines and health procedures

13. The regulation of medicines (including medical devices and in vitro diagnostic testing) both for those under development and as approved products in the UK is heavily reliant on the Regulations and Directives that come from the EC via the European Medicines Agency (EMA).

14. Should the EMA move from London, as seems probable, we believe this would diminish the UK's influence in regulation, research and innovation. The UK will have to re-write much of its own legislation to cover this following withdrawal.

15. If not part of the EMA we would be unable to participate in the European wide approval system for new medicines and the revisions to already approved products, to participate in the Orphan Drug Designation and the Small to Medium Sized Enterprise schemes that the EMA operate or to participate in the specific centralised approval process for paediatric drugs and the process that supports new medicines development for children. We would also lose access to the EU wide Pharmacovigilance networks and the EU Clinical Trials

Database

16. The European Union Organ Donation Directive (EUODD) sets minimum standards that must be met across all Member States in the EU, ensuring the quality and safety of human organs for transplantation. NHS Blood and Transplant implements the EU rules on the procurement, storage, use and monitoring of all human tissue and blood in the UK. Decisions will need to be made about future arrangements.

Communicable Diseases Network

17. Our specific concerns are around health scourges that don't respect international boundaries. These include disease epidemics and infection as well as antimicrobial resistance. It will be essential to ensure that the UK can continue to participate in the European Centre for Disease Prevention and Control.

Environmental legislation and public health protection

18. We are concerned to protect the regulation that has maintained food safety, air, water and environmental quality and maintained health workplaces and employment conditions

Working Time

19. The European Working Time regulations have been a matter of controversy and the lack of flexibility a cause for concern for some groups. Withdrawal gives the opportunity to develop proposals which explicitly suit the needs of the UK health service. But whilst some people would welcome greater liberalisation of the regulations there are many who would be very concerned to see the current protections lost. Other safeguards to worker health that have been established through EU regulations

20. Requirements for health and safety in the workplace and the promotion of health employment need to be retained.

21. In terms of NHS staff, under the framework directives the requirements to strengthen assessment of and protection from exposure to chemical agents (e.g. Latex, glutaraldehyde, cytotoxic), biological agents (blood borne pathogens, viruses etc.), physical agents (radiation) have been considerably strengthened in the EU.

Recognition of qualifications and education issues

22. There are a range of issues relating to the regulation and education of health professionals which will need to be addressed. These include transferability and recognition of European qualifications for doctors, routes of access to the specialty register (CESR/CEGPR and CCT), and requirements for language testing. It is recognised that in some instances Brexit may provide the opportunity for a more flexible approach which suits UK requirements which has been called for on a number of issues. There will, however, be issues where Colleges would want to see consistency maintained on a UK-wide basis.

Infrastructure expenditure

23. Infrastructure projects affecting communities such as transport links, leisure facilities, community enterprises and support to businesses leading to threats to employment and wellbeing. These are more likely to affect areas of higher deprivation and increase the risk of greater inequalities.

Procurement

24. At present there are EU wide rules regarding procurement of public projects through open tender through OJEU (Official Journal of the European Union). Whilst this is obviously not an issue exclusive to healthcare the NHS will need clarity over the rules for public project procurement in the future.

Reciprocal Health Arrangements/EHIC

25. There are approximately 2 million UK citizens currently living, working and travelling in the EU, with 380,000 living in Spain alone. Currently, EU membership entitles our citizens access to the host country's public healthcare system on the same basis as the indigenous population. There has to be clarification if current EHIC arrangements would continue to operate. Post-Brexit, it remains to be seen what the impact on the NHS would be of large numbers of ex-pats returning to the UK to access healthcare, particularly as many will be older people with more complex needs. Emphasising the requirement for continued full involvement in EU activity until departure.

26. It is important for so long as the UK remains a member of the EU it continues to be included in current decision making processes. There has been anecdotal evidence of people being excluded from participation in meetings or events as a result of the referendum decision.

Likely types of solution

27. The AoMRC has identified three potential categories into which we think solutions will fall.

These would seem to be

- Continued access to current arrangements. Non EU countries are participants in various current arrangements for example in the public health field. This may, however, depend on the wider issue of whether the UK remains part of the EEA
- Replication of current desired arrangements or requirements at UK level
- Replacement of undesired current arrangement with better and more appropriate UK alternatives or indeed simply abandoning of undesired measures.

Conclusion

28. The AoMRC, Wales Academy and colleges do not claim to have solutions to all the issues raised and there may, indeed, be additional issues that come to light. Most are highly complex with no simple or single solution although it would appear that remaining part of the single market would address a number of issues. However all will need to be addressed and solutions found if the quality of the UK's health and care system is to be maintained and the health of the public protected.

29. It is essential that the health community and those with specific expertise are actively involved and listened to before and during the negotiation process. The AoMRC is part of the Cavendish Coalition of health and social care employers, professional bodies and trades unions which can provide a common and coherent voice on workforce issues and we would hope the Government would ensure it engages with this important grouping.

30. Medical royal colleges, faculties and the Wales Academy would wish to engage directly with Welsh Government and other appropriate agencies to discuss what would provide the best solutions for healthcare, patients and citizens in Wales.

Question Two

What advice, support, or assistance have you received from the Welsh Government to date in preparation for Brexit?

Response:

31. To date we have received nothing; we would of course welcome advice, support, or assistance from Welsh Government. The Wales Academy provide a unique voice in Wales, we would welcome engagement with Welsh Government in preparation for Brexit and other appropriate agencies to discuss what would provide the best solutions for healthcare, patients and citizens in Wales.

Question Three

What financial considerations have arisen as a result of UK's withdrawal from the European Union and what should be done to prepare for these?

Response:

32. The AoMRC outlined position on financial considerations in our 'Brexit Position Statement' (July 2017).

"Whilst not an issue for Brexit negotiations the implications for the funding of the NHS and other public services post Brexit are crucial. The promised Brexit funding bonanza does not seem likely. A potential influx of UK citizens living in Europe (300,000 alone in Spain) seeking NHS treatment if there are no reciprocal arrangements will place additional strain on services." [1]

33. In relation to healthcare services, the UK is a net beneficiary for research grants and one of the most successful countries at securing funding from the EC. The EU research and innovation budget for 2014–2020 is around €120bn [2]. A lack of access to EU-wide clinical trial research projects will have a direct impact on our ability to secure good patient outcomes, particularly for rare conditions. Projects funded by the EU have enrolled over 340,000 patients [3] to clinical trials so far with the UK leading the way in Europe for conducting clinical trials. [4]

34. Major clinical centres are now questioning whether they should participate in global clinical studies at phase II and phase III if there is no guarantee of NHS funding post-study and if reimbursement timelines become prohibitively long. This will have a significant impact on patients with rare or serious, life-threatening disease for whom novel therapies might be transformational.

35. Additionally, In submission to the Parliamentary Review into Health and Social Care in Wales, The Wales Academy outlined a need to fund social care services in order to relieve pressures in primary care and work towards more integrated services. [5] Any potential negative impacts to NHS funding to social care post Brexit would greatly affect the longer term vision outlined in the review.

Question Four

What advice or support would you like to see from the Welsh Government that will help you and your sector to prepare for Brexit?

Response:

36. Royal Colleges have identified a number of areas which must be addressed as part of the Brexit negotiations (highlighted and detailed in Question One). These include:

- Recognition of medical qualifications
- Maintaining medical research links and funding
- Continued cooperation on public health issues
- Reciprocal healthcare arrangements and
- Regulation of medical devices.

37. These, however, are technical issues. The Wales Academy believes the greatest challenge will be the likely impact on the size and skills base in both health and social care. All levels of the health and social care system rely heavily on staff from the EU and could not operate effectively without them. This concern should also be considered in the context of current staff shortages which affects all specialities.

38. The exact shortfall of any given speciality faces changes from year to year, but, the current problem is particularly prevalent in General Practice and acute medicine. This problem is exacerbated by a general lack of ‘boots on the ground’, provided by nurses and allied healthcare professionals, which could be worsened by the threat Brexit poses to freedom of movement of people, if not sufficiently addressed in negotiations.

39. Overall, there has been a long-held belief within Colleges that the UK must train more doctors and healthcare staff. Following the referendum result, the need for the UK to train more health and social care staff has become critical.

40. The Wales Academy would hope for a plan B if the effect on our Health and Social Care workforce is going to be detrimental:

- Train and retain more

- Recruit from other parts of the world
- Different roles for Health Care providers like Advanced Nurse Practitioners etc.

41. Medical royal colleges, faculties and the Wales Academy would wish to engage directly with Welsh Government and other appropriate agencies to discuss what would provide the best solutions for healthcare, patients and citizens in Wales.

Additional Reading

'Priorities for health and social care in the negotiations on the UK's withdrawal from the European Union', House of Commons Health Select Committee Inquiry, AoMRC, October 2016 http://www.aomrc.org.uk/wp-content/uploads/2016/10/Brexit_Health_Social_Care_Inquiry_251016.pdf

'Brexit – Position Statement', AoMRC, July 2017

http://www.aomrc.org.uk/wp-content/uploads/2017/08/2017-07-26_Brexit.pdf

Introduction

The National Trust is Europe's largest conservation charity with 5 million members and is the UK's largest private landowner and farmer with some 250,000 hectares of land and 1,800 agricultural tenancies.

In Wales we are the guardians of 18 of the finest castles, houses, gardens and heritage sites and ten of the 14 mountains that reach 3000ft or more in Wales. We care for 157 miles of Wales's coastal land as part 46,000 hectares of land overall that we manage. We look after one-eighth of the Sites of Special Scientific Interest in Wales and 30,000 hectares of our land is priority habitat managed primarily for nature. Some 450 full time equivalent staff posts, 2,200 regular volunteers and 240 farmer tenants look after these special places and help more than 1.3 million visitors enjoy our coast, countryside and built portfolio each year. In 2017-18 our conservation expenditure in Wales will total £10.5m.

We are playing our part in securing the sustainable use of natural resources and have introduced pioneering and innovative renewable energy and efficiency measures to reduce our use of fossil fuel energy in Wales by 48%.

Our vision is for land management that has a low environmental impact that protects and safeguards natural resources – nurturing and harvesting them, not mining or wasting them – helping to inspire the nation to connect with its natural environment as a whole.

Under our new strategy, we are committed to developing innovative ways of managing land on a scale which are good for farmers, the economy and the environment – the overall goal being to secure the recovery of nature. Brexit poses both a challenge to an opportunity for that vision.

As a significant land owner we work with Visit Wales and Wales Historic Environment Group (including the EU Transition Group) to help shape policies,

management and funding of the historic environment and other tourism assets to help deliver sustainable growth. In 2017 we have engaged with the Welsh Government Environment and Rural Affairs Roundtable Land Use working group to assist the Cabinet Secretary and Welsh Government officials with expertise and leadership to:

- Help shape Welsh Government's future land use strategy for rural Wales
- Identify a range of policy opportunities to inform delivery of the land use strategy

1. What are the main issues facing your sector as a result of the UK's withdrawal from the European Union, and how should the Welsh Government respond to these?

We believe that the UK's withdrawal from the European Union presents an opportunity to establish an ambitious and environmentally responsible land management policy. We need to create a situation in which sustainable and forward-looking land based businesses can thrive and deliver what the nation and the public want, within a framework of protection and restoration of all aspects of our precious natural and historic environment.

Another opportunity which withdrawal presents is to develop bespoke approaches to environmentally responsible heritage based tourism that not only grow jobs and skills, especially in rural areas but also can deliver health and well-being benefits. Our upland communities in particular face challenges in maintaining heritage assets and maximising economic and social gains through their sympathetic use and reuse. In our market towns and more urban areas, local authorities lack the resources to maintain heritage parks and other assets.

A third area of opportunity is in the area of renewable energy and energy efficiency. In Wales we have with the benefit of EU funding been at the forefront of renewable energy/energy efficiency development within heritage environments. A good example is the tidal heat exchanger at Plas Newydd, Anglesey. Withdrawal provides the opportunity to simplify and overcome obstacles preventing the wider uptake of both tried and tested and innovative solutions to reduce CO2 and other greenhouse gases utilising heritage assets.

We face a number of immediate issues as a result of the UK's withdrawal from the European Union

(i) Risks and potential opportunities to farm businesses, and impact on National Trust rental income –

- Many National Trust tenants in Wales farm upland and marginal land for livestock production. We see risks to those farming communities, most acutely within the sheep sector, and the very people who act as stewards for the majority of our countryside.
- Risk of reduction in farming employment and amalgamation of farm holdings with associated risk of depopulation.
- Lack of certainty around the shape and timescale for post-Brexit agricultural policy and support, impacting on the work needed to plan and build the long-term resilience of the natural assets which underpin farm businesses
- Damage to value of Welsh Lamb and Beef brand arising from any decline in environmental and animal welfare standards

Potential for

- Better opportunities for younger farmers and new entrants to access land
- Growth of resilient farm businesses underpinned by regeneration of natural resources
- Better local supply chains

In response to these issues, we believe Welsh Government should

- Continue to seek assistance, expertise and leadership from external stakeholders
- Continue to invest public funds to avoid shocks and help to secure a long-term future for farming by protecting the land and nature on which it depends, and safeguarding the countryside's beauty and heritage which draws in people to visit and enjoy it.
- Increase investment in knowledge transfer to equip farmers with the skills required to assess and manage their farm business risks and develop new farm business opportunities
- Continue to support the development of new land management schemes that regenerate natural resources

- Understand the Brexit risk profile (social, economic, environmental and cultural well-being) of a given area and model how this may be mitigated by new land use policy
- Include transition assistance e.g. some “pump prime” funding to help farmers reach a baseline or prepare for new environmental markets, loans to help introduce new technology and consider new products for different markets
- Include a combination of different mechanisms (e.g. contract-based multi-annual payments, advice, tax reliefs, capital grants and loans) and wider policy levers (e.g. regulation and codes of practice backed by institutions) to help farmers adapt to and capitalise on a new policy environment.

(ii) Environmental risks and opportunities relating to a lack of funding

- Risk of farming intensification or under-management of land, with increased risk of failure to improve condition of priority habitats and species, archaeological sites and natural resources (soils, water, carbon).
- Impacts on sustainable land management and loss of the positive steps being taken through current agri-environment schemes.
- Reduction in revenue from the National Trust’s let-estate with knock-on impact on our capacity to deliver and support sustainable land management across all National Trust land in Wales.
- Loss of funding to reverse the decline in priority habitats and species and to address climate change adaptation and mitigation.
- Loss of funding to jointly address cross-border environmental challenges/to take advantage of opportunities with neighbouring countries.

Potential for

- Opportunity to deliver value-for-all public money in the ways sustainable land management is implemented and in the benefits it delivers to wider society.

- Enrichment of nature value of fridd habitat through increase in tree regeneration and cover

In response to these issues, we believe Welsh Government should

- Continue to develop post-Brexit strategies and economic models for farming and land management that recognise the vital and integral role played by natural resources
- Transition toward new arrangements at a pace that allows time for land managers to adapt, and for new policies to be piloted
- Start from the principle of public money for public benefit as the justification and most equitable means to achieve taxpayer value, with the majority of funding supporting the most effective and efficient approach to environmental land management
- Seek continued access to LIFE funding or develop a domestic equivalent that would enable the restoration of habitats and species; and address climate change adaptation and mitigation needs;
- Seek continued access to Horizon 2020 and to Interreg funding streams to enable Wales to continue to benefit from research and/or cross-border collaborations in areas such as climate change, renewable energy, cultural heritage, tourism and sustainable agriculture, forestry and fishing.

With RSPB and Wildlife Trusts, we will be publishing research in November 2017 on the scale of need that any funding will need to address. This will cover what will be needed to meet nature and heritage targets and based on a model of every hectare of land in the UK. Alongside other funding to help farmers to adapt and with rural development funding, we will be calling for a continuation of the overall levels of UK funding of at least £3bn per year.

(iii) Risks and potential opportunities from post-Common Agricultural Policy (CAP) place-based land management systems

- Failure to develop schemes that support sustainable use of natural resources
- Failure to incorporate previous experience and best practice
- Overly complex scheme, relevant objectives not communicated clearly to local stakeholders, impractical / highly technical monitoring
-

Potential for

- Farming and land management to become more sustainable and remain productive whilst restoring nature and the resilience of ecosystems and the benefits they provide, improving the social, economic, environmental and cultural well-being of Wales.
- Landscape or catchment scale delivery of policy.
- New land management schemes based on clear, long-term outcomes
- Opportunity for new place based land management support, tailored to sites/areas, shaped by local stakeholders, focussed on results (payments for outcomes, not outputs) and with viable levels of financial support to land managers

In response to these issues, we believe Welsh Government should

- Bring forward an integrated land use policy and support system to deliver sustainable use and management of natural resources.
- Continue to encourage or allow for collaboration – farmer to farmer, farmer to agency
- Incorporate learnings from Rural Development Programme and stakeholder input into new place based land management systems and support schemes
- Retain responsibility for Wales’ agricultural and environmental policy and operate this within a framework of common principles and standards across all four nations, agreed jointly by all four countries to avoid a race to the bottom and to address cross-border issues.
- View the natural and historic environment with parity, approaching public support on a whole farm and no detriment basis i.e. not damaging an environmental asset whilst being paid to maintain another, achieving one environmental objective not prejudicing another.

- Support the development of new environmental markets which would pay for products that go beyond but complement top quality food production, helping secure additional private funding for farming and land management. There is opportunity to develop new income streams from market based approaches. For instance, work by the National Trust and Green Alliance on the potential for “natural infrastructure schemes” shows how this concept can be put into practice. Using a hypothetical scheme in NW England, it would enable upland farmers to earn new income and make a profit (estimated profit above costs of £15k per year for 15 years) by entering into private water management contracts with businesses and organisations in areas susceptible to flooding.
- Commit to long-term thinking and engage farmers in the journey: move to a system which buys results and sets a destination, not just activity. As part of this, we would like to see farmers, land managers, investors and planners given a clear end date for any transition.

(iv) Risks from post-Brexit CAP and other regulatory changes

- Watering down of environmental and animal welfare regulation leading to decline in standards
- Continuation of prescriptive approach to achieving regulatory goals eg nitrate pollution – and failure to develop outcome based models
- Loss of State Aid exemptions for heritage and cultural projects that can aid economic growth

Opportunity to

- Test new approaches that go beyond what might be possible under current EU frameworks. Welsh Government is starting to explore this through the Sustainable Management Scheme and the scoping consultation ‘Taking Forward Wales’ Sustainable Management of Natural Resources’ (2017).
- Facilitate new approaches to funding heritage based tourism development, building on the TISS scheme

In response to these issues, we believe Welsh Government should

- Invest in Natural Resources Wales to ensure that they can effectively undertake regulatory duties relating to environmental protection and can take on additional enforcement functions from the EU.
 - Work with UK government to ensure that all existing EU environmental law related laws required to be coherent with environmental law (including preambles, principles and jurisprudence) are converted into domestic law.
 - Work with UK government to ensure that domestic laws made through secondary legislation to implement EU obligations are saved.
 - New domestic governance arrangements will be required to ensure equivalent provision of the regulatory, monitoring, oversight, accountability, enforcement and other functions currently provided by EU institutions.
 - Work with the UK government to ensure that state aid exemptions are retained for heritage, culture, sport and recreation projects.
 - Future regulations should be clearly related to and underpin outcomes, with 100% of any public payment being conditional on meeting higher but more manageable baseline standards for wildlife, soil and water and so on.
- (v) Risks from reduced funding for heritage based tourism and economic growth
- Failure to maximise the employment, social, health and well-being benefits arising from environmentally responsible heritage based tourism development

Opportunity to

- Maximise domestic and international tourism derived economic growth through developing environmentally responsible heritage

based tourism especially in areas of deprivation. Past examples include Aberdulais Falls in Neath Port Talbot;

- Maximise the ability of the natural and built heritage to reduce CO2 and other greenhouse gas emissions, to increase energy efficiency and to generate renewable energy. When implemented in areas of high deprivation this also presents the opportunity to help reduce fuel poverty of occupiers of traditional buildings.
-

In response to these issues, we believe Welsh Government should

- Develop funding mechanisms free of the constraints of EU requirements that facilitate the environmentally responsible restoration and reuse of natural, cultural and built heritage assets across Wales to maximise its contribution to numerous policy objectives
- Build on and develop the TISS, Rural Development Area Wales and other existing grant schemes.

2. What advice, support, or assistance have you received from the Welsh Government to date in preparation for Brexit?

- Farming Connect Advisory Service – access to business efficiency and skills development programme, and the ‘Farming for the future’ roadshows
- Environment and Rural Affairs Brexit Roundtable Land Use Working Group. This has provided some helpful insights into Welsh Government thinking about post-CAP land use, and the forum has been a useful networking opportunity with good potential to stimulate collaboration between participating stakeholders.
- The National Trust’s in-hand farming business is not eligible to apply for the Welsh Government Farm Business Grant as the National Trust has a total turnover exceeding £1 million.

- Otherwise we have not received specific support or assistance from the Welsh Government to date in preparation for Brexit.

3. What financial considerations have arisen as a result of UK's withdrawal from the European Union and what should be done to prepare for these?

Please see response to question 1 regarding financial risks to the National Trust arising from risks to farm businesses and environmental funding.

4. What advice or support would you like to see from the Welsh Government that will help you and your sector to prepare for Brexit?

- Clarity around the shape and timescale for the development of post-Brexit agricultural policy and support and for allied funding streams to replace LIFE
- Specific farm business planning advice relating to trading scenarios post-Brexit
- Advice regarding maximising the socio-economic and well-being benefits of investment in heritage assets and heritage based tourism
- Increase investment in knowledge transfer to equip farmers with the skills required to assess and manage their farm business risks and develop new farm business opportunities.

1. Introduction

1..1. This evidence has been prepared to inform the National Assembly's committee consultation on the Welsh Government's administrative and financial response to Brexit.

1..2. About WCVA

WCVA is the national membership organisation for the third sector in Wales. Our vision is for a future where the third sector and volunteering thrive, improving wellbeing for all. Our mission is to be a catalyst for positive change by connecting, enabling and influencing.

1..3. WCVA is an Intermediate Body, which acts on behalf of the Welsh

European Funding Office (WEFO), providing funding through the European Structural and Investment Funds to the third, public and private sectors across Wales.

2. What are the main issues facing your sector as a result of the UK's withdrawal from the European Union, and how should the Welsh Government respond to these?

2..1. Loss of funding

2..1.1. The EU's investment in Wales represents a significant source of funding for the third sector and supports multiple initiatives that

contribute to the social and economic regeneration of Wales' most deprived regions. Initiatives that perhaps wouldn't be funded through domestic sources.

2..1.2. Under the 2007–2013 Structural Funds programmes:

EU funds of £100m supported 45 schemes led by the third sector, helping 8,545 people into work and 21,825 people to gain qualifications, creating 405 enterprises and 720 (gross) jobs. Through procured contracts, over £187m (10% of total value of procurement contracts) were awarded to the third sector to deliver the activities of projects.

2..1.3. Under the current 2014–2020 Structural Funds programmes, so far the third sector is leading multiple operations worth in excess of £80million and many more organisations are accessing funds through a number of regional frameworks and contracts.

2..1.4. Welsh Government should:

- support the third sector to have a voice in shaping the future of the Shared Prosperity Fund in Wales.
- ensure the Shared Prosperity Fund (through utilising the partnership principle) invests in the third sector and other agencies to co-produce activities that build resilience and prosperity within our most deprived communities.
- pursue unrestricted access to the European transnational cooperation programmes such as Daphne, Development, Education and Awareness Raising (DEAR) and Erasmus+. The withdrawal of youth driven initiatives funded through Erasmus+ would significantly disadvantage Wales' younger generation's ability to engage with European employment and educational opportunities post Brexit.

2..2. The EU (Withdrawal) Bill and the threat it poses to devolution

- 2..2.1. The European Union (Withdrawal) Bill circumvents current assumptions about how devolution works – namely that power not explicitly reserved should be automatically devolved to Wales. We are concerned that any powers taken by Westminster would not later be devolved. Any decision to reverse devolved powers must be open to proper democratic participation.
- 2..2.2. Devolution has encouraged cross–sectoral working in Wales and allowed the third sector greater accessibility to engage with the governing institutions in relation to policy development, scrutiny and delivery. The benefits of existing engagement mechanisms available to the third sector, such as the Third Sector Partnership Council and membership of the Programme Monitoring Committee, would be lost if control is removed from Welsh Government and retained by the UK Government.
- 2..2.3. The promotion and protection of equality and human rights is woven into the Welsh devolution settlement. Wales has chosen to strengthen its rights protections through such measures as the Rights of Children and Young People (Wales) Measure 2011, the Wellbeing of Future Generations (Wales) Act 2015 and the Social Services and Wellbeing (Wales) Act 2014. These Acts were written in the context of devolution and the ability for these to achieve success may be severely limited if powers are removed from Wales.
- 2..2.4. We are concerned that the Bill would enable those rights and protections to be weakened (realised to some extent already through the decision taken to exclude the EU Charter on Fundamental Rights from domestic law post Brexit). Any weakening of rights will indicate little recognition for the Welsh devolved perspective.

2..3. Equality and Human Rights

2..3.1. In a Brexit survey undertaken by WCVA in March of this year, our members valued the protection of existing human and environmental rights and building community cohesion and minimising hate crime, above safeguarding funding opportunities for the sector.

2..3.2. Following the EU referendum result in Wales:

- reported incidents of hate crime have risen by 28%¹
- immigration issues have increased by 19%, with ‘white – other’ the largest group seeking advice²
- enquiries in relation to national citizenship have increased by 63%³
 - hate crimes against Muslim women have risen by an estimated 300%⁴

2..3.3. The EU has served as a safety net, setting minimum standards for equalities and human rights legislation, and deep reservations have been expressed regarding the prospect of these commitments being weakened over time.

2..3.4. The Equality and Human Rights Coalition, facilitated by WCVA, has produced a paper on the impact of Brexit on equality and human rights. It contains a number of recommendations, including several for Welsh Government. The paper can be accessed here.

¹ Citizens Advice Cymru. February 2017. Presentation: Information, advice and Brexit.

² Ibid.

³ Ibid.

⁴ Women’s Budget Group, *If ‘Brexit means Brexit’ what will that mean for women?*,

<<http://wbg.org.uk/analysis/brexit-means-brexit-will-mean-women/>> [accessed 7 February 2017].

2..4. Health and social care

2..4.1. Third sector organisations play a key role in the provision of health and social care within Wales, supporting people with disabilities, older people and those with chronic health conditions. The health and social care sector is particularly reliant on EU migrant workers and Brexit further compounds the difficulties associated with the recruitment and retention of a suitably qualified workforce.

3. What advice, support or assistance have you received from Welsh Government to date in preparation for Brexit?

3..1. The Welsh European Funding Office (WEFO) has engaged with the sector through WCVA and its other third sector led operations post referendum result. WCVA would be pleased to facilitate further engagement between WEFO and the sector. We are aware that the Department for Environment and Rural Affairs has engaged third sector groups in some of its Brexit planning.

3..2. WCVA has been engaged in discussions at a strategic level, including through the External Advisory Group on Brexit, Chaired by Mark Drakeford. We have also facilitated discussion between third sector representatives and Welsh Government on Brexit at a recent meeting of the Third Sector Partnership Council. The Welsh Government's position on the EU (Withdrawal) Bill, and the subsequent tabled amendments, have provided clarity on Welsh Government's thinking at a strategic level.

3..3. However, we are not aware of direct advice, support or assistance for the sector from other Welsh Government divisions in relation to Brexit.

There has been little communication about what Brexit really means for Wales.

4. What advice or support would you like to see from Welsh Government that will help you and your sector prepare for Brexit?

4..1. The sector requires clear, open and accessible dialogue in relation to the direction of travel. It's extremely difficult to engage with Brexit discussion if we don't know what it is we're engaging with.

4..2. The third sector plays a vital role in society promoting positive values, being a voice for more marginalised groups and developing creative solutions to some of our society's most problematic issues.

4..3. WCVA believes it's crucial that the third sector and wider civil society is fully engaged in debates and decisions around Brexit in order to support better outcomes for all.

4..4. A good example of supporting participation on these complex issues is the The Citizens' Assembly on Brexit, facilitated by Involve, a partner in the Open Government Pioneers project, hosted by WCVA in Wales.

5. Discussion

5..1. If requested, we would be pleased to discuss further these or any other points relating to this consultation.

Introduction

1. The Welsh Local Government Association (WLGA) represents the 22 local authorities in Wales. The three national park authorities and the three fire and rescue authorities are associate members.
2. It seeks to provide representation to local authorities within an emerging policy framework that satisfies priorities of our members and delivers a broad range of services that add value to Welsh Local Government and the communities they serve.
3. WLGA welcomes the opportunity to comment on the inquiry by the External Affairs and Additional Legislation Committee into the preparedness of the Welsh Government in relation to Brexit.
4. Comments on each of the questions listed in terms of reference for the inquiry are provided below.

What are the main issues facing your sector as a result of the UK's withdrawal from the European Union, and how should the Welsh Government respond to these?

5. The main issues for local government fall under four main headings – legislative, policy, financial and local economic impact. Local government implements much of the legislation derived from EU law, operates within EU-wide regulatory and policy frameworks and accesses funding under a range of

EU programmes. Changes in all these areas will impact on local authorities directly, while there will be indirect impacts on local government services as Brexit affects local economic conditions.

6. Under the EU Withdrawal Bill, all existing EU legislation will be copied across into domestic UK law. The UK Parliament can then "amend, repeal and improve" the laws as necessary. However, there are two complicating and related factors. First, large parts of the legislation will no longer work because they refer to EU institutions and arrangements (e.g. the requirement to advertise tenders in the Official Journal of the EU). Secondly, there are proposals in the Bill for UK Ministers to be able to amend legislation without full Parliamentary scrutiny (so-called Henry VIII powers). This is controversial in itself but doubly so from a Welsh Perspective as a significant part of the legislation is in areas that are devolved. This has led to accusations from the devolved nations of a 'power grab' from Westminster.
7. Important **legislative and policy frameworks** that currently exist at an EU level that will need to be replaced by equivalent UK and/or Wales frameworks include:
 - Competition Policy and State Aid
 - Employment and Workforce policies
 - Regulatory services
 - Procurement
 - Environment, Waste, Transport and Planning
 - Agriculture and Rural Development
 - Regional Economic Development.
8. It is vital that local authorities are involved in, and able to influence, changes to legislation – wherever changes could impact on local authority services – it

is not 'simply' a question of Welsh Government having a role. This will involve working with the UK Government or the Welsh Government, depending on how constitutional issues surrounding any amendments to such legislation/frameworks are resolved. WLGA is working closely with LGA, COSLA and NILGA to ensure that local government's views are taken into account at a UK level. Where legislation and any related frameworks fall within devolved areas of responsibility, WLGA want to ensure the views of Welsh local government considered and taken on board. This is essential as local authorities will be responsible for delivering and implementing most of the legislation. As a result, we wish to see all relevant Welsh Government policy departments fully engaging with local government as they develop new arrangements regarding legislative arrangements post Brexit across all the areas listed above.

9. On the issue of funding, there are two primary risks: loss or reduction of grant funding and a further squeeze on public sector funding. A range of assurances have been given by the UK Treasury regarding **grant funding** for projects up until 2020. However, beyond that the position is currently unclear. Welsh Government has called on UK Government to honour pledges made before the referendum that Wales would not lose any funding as a result of leaving the EU. It has argued that (i) the level of funding for Wales should be no less than if the UK had remained and (ii) as with EU funding, this should be in addition to the Block Grant Wales receives under the Barnett formula, recognising the higher level of need. WLGA has supported Welsh Government in arguing that any successor funding to replace EU funding should be devolved to and managed within Wales. The UK Government has proposed a 'Shared Prosperity Fund' for the UK as a whole but details of how this would operate are not clear at present.

10. The wider concern, about **public finances**, relates to the possibility of a negative impact of Brexit on the UK economy leading to lower tax receipts and higher benefit payments. Coming on top of several years of austerity this additional squeeze on the Welsh Block Grant would see further reductions in funding for local government.
11. In relation to the **wider local economic impact**, WLGA undertook a survey of local authorities to find out their views. Particular concerns were raised in relation to agriculture, manufacturing and those services with high dependency on migrant labour (e.g. tourism, hospitality, care sector, construction). The fear of losing local jobs as a result of businesses closing or relocating to ensure access to the Single Market was raised by a number of authorities. There would be knock-on effects of any business closures for other local service and supply companies. A general downturn in local economies tends to add to service pressures for local authorities in areas such as housing/homelessness, substance misuse, domestic violence, community safety etc. A combination of tightening budgets and increased demand for services would make it increasingly difficult for local authorities to sustain discretionary services.
12. It is difficult to say how Welsh Government should respond to these issues as many of them are beyond its direct control. Certainly, involving local authorities in discussions on policy and legislation will be vital (see further comments on this below) – but there is no guarantee of being able to influence the UK Government’s position on many fronts. Likewise, local government would want to input to any decisions on a replacement for EU funding and would argue for further devolution from Welsh Government down to the regions. However, the scope to do this may be limited if a replacement Fund is established and operated on a UK-wide basis. As a result, it is of the utmost importance that the Welsh Government recognises and utilises all key

partners' direct links with UK counterparts as this enables many partners to influence key Whitehall Departments directly. This includes Welsh local government, higher and further education, farming unions, environmental organisations and Welsh private and third sector organisations such as the CBI, FSB and the WCVA. We would strongly recommend that the Welsh Government fully utilises the collective expertise across these Welsh organisations in all its planning for Brexit. It is also necessary that the Welsh Government fully recognises and utilises all key partners' direct links with counterparts in Brussels. For local government, our involvement in the EU Committee of the Regions and in key lobbying organisations such as the CEMR provide us with opportunities to directly influence developments.

13. On the local economy front, closer joint working between Welsh Government and local authorities collaborating at a regional level would help to ensure integrated support for local businesses. However, some of the forces determining decisions of major companies will be operating at an international level at head quarter offices, making it difficult to have an influence no matter how well co-ordinated things are within Wales.
14. The nature of withdrawal (hard or soft) will have a bearing on how each of these plays out. For example, any trade deal ultimately negotiated with the EU will determine the extent to which the UK needs to continue to comply with EU standards and regulations. Ways will have to be found to influence standards/regulations as they evolve in the future. During any transition period that may mean working via the EU Committee of the Regions while, looking ahead, working with Continental local authority colleagues through links on other bodies such as the CEMR (the Council of European Municipalities and Regions) could have an important role to play.

15. Operationally, too, any decisions on Brexit that impact on the free movement of labour could affect local authorities, either directly or through third party arrangements. The numbers of direct employees who are EU nationals are believed to be relatively small. However, there are some areas, locations and third-party considerations where this may be more of an issue. Further research is needed to help understand the scale of any problem.

What advice, support, or assistance have you received from the Welsh Government to date in preparation for Brexit?

16. There are a number of ways that the Welsh Government has involved the local authority sector in preparing for Brexit. Amongst the most significant are the following:
- WLGA involvement on the EU Advisory Group established by the First Minister and chaired by Mark Drakeford (Cllr Rob Stewart is the WLGA Spokesperson and our representative on the group)
 - Publication of a series of papers setting out the Welsh Government's position – on devolution matters, free movement of people and the White Paper developed jointly with Plaid Cymru, setting out the main issues for Wales as the UK moves to leave the EU
 - A Roundtable and series of working groups looking at the likely effects of Brexit in the Environment and Rural Affairs sector and considering different exit scenarios
 - A number of formal and informal discussions with WEFO, WLGA and the Regional Engagement Teams to maximise all the opportunities under the current EU Structural Fund Programmes and to consider the focus of future arrangements and approaches around regional investments.
17. The Advisory Group has been useful in terms of receiving an update on discussions between the Welsh and UK governments. WLGA has been given

the opportunity to present the findings of its survey of local authorities to the group. This demonstrates a willingness on the part of Welsh Government to enable members of the group to feed in ideas and views as part of a two-way exchange. This type of interaction should inform Welsh Government's discussions with UK Government. There is no way of knowing, though, how far views expressed influence Welsh Government and, then, how far Welsh Government is able to influence the position the UK Government takes into negotiations with the EU.

18. The Advisory Group has also been involved in discussions that have fed into the publications referred to in para. 15 above. However, there has been no specific consultation/opportunity to comment on draft versions of the documents – they have been issued to group members in final form shortly before their public release. Future publications should be shared in draft with members well in advance of publication to enable members to comment.
19. The engagement in the Environment and Rural Affairs sector, led by the Cabinet Secretary Lesley Griffiths, has been very inclusive. It has provided an opportunity for diverse interests across the sector to come together to share intelligence, discuss the threats and opportunities faced and consider potential steps that can be taken in preparation for Brexit. It would be good to see that level of engagement replicated in other sectors – e.g. around the economy, transport, skills.

What financial considerations have arisen as a result of UK's withdrawal from the European Union and what should be done to prepare for these?

20. As outlined above, there are two sets of financial consideration: the first related to grants and the second related to potential additional pressures on

the public sector settlements, linked to performance of the UK economy.

21. On the **grant** front WLGA has welcomed the proposal by UK Government to put funding in place to support regional development after the UK leaves the EU. However, WLGA is opposed to the concept of a Shared Prosperity Fund administered at the UK level. It believes that Wales' share of the funding should be allocated to Welsh Government in the first instance. Wales' share should reflect the same percentage of the UK total as it currently enjoys and there should be no move to 'Barnettise' the funding. The same should apply to Common Agricultural Policy payments received by Wales.

22. WLGA has also argued that, within a national context set by Welsh Government, decision-making and funding should be devolved down to the most appropriate level – in particular, building on the four regional partnerships that have been established: Cardiff Capital City Region; Swansea Bay City Region; Growing Mid Wales; and the North Wales Economic Ambition Board. Once regional development plans have been agreed with Welsh Government and other partners the funding should be allocated to support implementation. In this way, there would no longer be a need for 'programmes' (at a UK or Wales level). These take a long time to be developed and then require a time-consuming and wasteful bidding process as bidders attempt to skew projects to fit programme criteria.

23. As well as the European Structural and Investment Funds, there are other funding programmes to consider. Programmes such as ERASMUS (+), HORIZON and LIFE have helped to support social, economic and environmental development across Wales. The ability to continue to participate in these funding programmes – and in EU inter-regional co-operation networks – will be important to local authorities. These programmes have brought benefits to local areas that contribute to shared Well-being Plan objectives of LAs and

their partners. There is also the issue of future access to the European Investment Bank which has been a source of investment in major capital projects supported by local authorities.

24. On the **wider financial front**, the pressures faced by local authorities are well understood. Any additional squeeze in the coming years would seriously undermine their ability to prevent the very sorts of economic, social and environmental problems services EU programmes have historically been introduced to address. In that sense, and in line with the Well-being of Future Generations Act, prevention is better than cure. This would suggest the need for some flexibility to enable regional funding to support delivery of some mainstream provision where this is struggling to deliver an adequate service. For example, maintenance of the highway network is vital to the successful operation of local businesses. Arguably, it would be better to enable expenditure on upgrading highways to a high standard than to rule this out but then offer financial support to businesses may be struggling precisely because of increased costs and lost business due to congestion and delays on the highway network.
25. Once again, though, it is not yet clear how much flexibility there will be to design a funding regime to meet Wales' needs or whether any replacement funding arrangements / programmes will be imposed by UK Government.

What advice or support would you like to see from the Welsh Government that will help you and your sector to prepare for Brexit?

26. This question has largely been answered in the above sections. Essentially:

- good two-way communications, ensuring local government is kept well-informed but also able to feed in its views on matters of policy, legislation and funding at an early stage
- the ability to comment on draft publications, to offer a local government perspective, before they are released
- access to the arrangements similar to those in place for Environment and Rural Affairs in other key areas of activity such as the economy, skills and transport
- the ability to help inform proposals for successor regional policy and funding, minimising bureaucracy and maximising flexibility
- devolution of decision making powers over regional funding to the four regions, aligned to regional development plans agreed with Welsh Government
- joint working with local authorities collaborating at regional level to provide integrated economic development support for the local economy.

Cynulliad Cenedlaethol Cymru | National Assembly for Wales
Y Pwyllgor Materion Allanol a Deddfwriaeth Ychwanegol | External Affairs and
Additional Legislation Committee
Gwydnwch a pharodrwydd: ymateb gweinyddol ac ariannol Llywodraeth Cymru i
Brexit| Resilience and preparedness: the Welsh Government's administrative and
financial response to Brexit
EAAL(5) RPB12
Ymateb gan Gyngor Bwrdeistref Sirol Caerffili | Evidence from Caerphilly County
Borough Council

What are the main issues facing your sector as a result of the UK's withdrawal from the European Union, and how should the Welsh Government respond to these?

Brexit poses a number of issues for the public sector in Wales. From a Rural Development perspective, the funding received through the European Agricultural Fund for Rural Development provides substantial funding through both Pillar 1 and Pillar 2, supporting the farming community through direct payments and also supporting economic development in rural areas. From a Regeneration perspective, the funding received through the ERDF has provided the catalyst for regeneration activity in geographical areas where there is recognised market failure. Unless this funding is replaced by Westminster or Welsh Government, this will have a substantial impact on the agricultural sector and rural areas more broadly in Wales and on local authorities to stimulate investment in economic and physical regeneration activities.

Likewise, the public sector plays a key role in supporting local supply chains, through core procurement activities, but also procuring and supporting local businesses in delivering EU programmes and in supporting the development of supply chains for local companies through the RDP. The UK's withdrawal from the EU will significantly reduce both the investment through public sector procurement and the export market for Welsh businesses.

What advice, support, or assistance have you received from the Welsh Government to date in preparation for Brexit?

We have not had any specific advice from the Welsh Government in preparation for Brexit other than to make the most of the EU funding whilst it lasts as the Welsh Government has underwritten the ERDF 4.4 measure up until the end of this programme.

There has been little or no discussion with WG as to a successor programme funded from other sources. The recent TRIP guidance does allude to the fact that it could become the EU successor programme but no dialogue has been instigated by WG to discuss this matter further

Para10:

“Initially, the Welsh Government is inviting applications for regionally-endorsed local authority project proposals for a three-year period beginning in April 2018. However, in the context of developing a successor programme to EU structural funds partners are also encouraged to begin to identify projects which could feature in a rolling programme of regeneration projects in years to come. “

In all fairness, given the nature of the negotiations and the complexities involved, the Welsh Government, along with the other devolved administrations are in a difficult position in what is a fluid, complex and continuously evolving process.

- *What financial considerations have arisen as a result of UK's withdrawal from the European Union and what should be done to prepare for these?*

The two key financial considerations for the public sector in Wales resulting from the UK's withdrawal from the EU are 1) the loss of European Structural Investment funds and 2) the loss of potential EU markets for Welsh businesses supported through public sector programmes and projects.

1) A successor programme should be introduced with the same level grant of funding which will have the ability to be less bureaucratic and more focused on delivering interventions where they are required rather than developing and bending projects to fit the criteria set out by EU guidelines.

It is interesting that the Conservative Party manifesto proposed a new **Shared Prosperity Fund** to replace EU funding post-Brexit, “to reduce inequalities between communities across our four nations”. It stated that the new fund would be: “cheap to administer, low in bureaucracy and targeted where it is needed most”.

WG should oppose the concept of a Shared Prosperity Fund administered at the UK level. Wales' share of the funding should be allocated to the Welsh Government in the first instance. Alternatively WG need to lobby hard for a revision of the Barnett Formula to redress the future loss of EU funding, which dictates the level of public spending in Scotland, Wales and Northern Ireland. This would allow WG to set up their own post EU Prosperity Fund.

WG need to ensure that the **amount of funding available to Wales should be no less than if the UK had remained in the EU**, reflecting the pledge made in the run-up to the referendum. In this respect, Wales' share should reflect the same percentage of the UK total as it currently enjoys.

Welsh Government should set the direction for future regional policy in Wales whilst ensuring that future policy is responsive to local needs. Being responsive to local needs" is key and means that decision-making and funding should be devolved down to the most appropriate level i.e. the four regional partnerships already working up plans for the development of their areas: the two city regions in South Wales, the North Wales Economic Ambition Board and the Growing Mid Wales Partnership.

- 2) Alternative markets need to be investigated for Welsh produce be this through trade agreements with countries outside of the EU (a role for WG here that would be reminiscent of the overseas WDA activity of old), or through new arrangements with EU neighbours.

There is a significant opportunity to develop shorter supply chains within Wales, in particular within food and drink and other growth sectors. The Welsh Government could play a key role in driving the promotion of Welsh produce and also provide State Aid cover to enable the public sector to play a greater role in this, for example allowing RDP LEADER funding to actively promote local companies and produce; as an illustration, we are unable to produce directories or other promotional materials promoting local companies and increase awareness of potential supply chain development opportunities, due to State Aid restrictions. Likewise, we are unable to directly support businesses through LEADER funding as a result of State Aid issues. Greater flexibility would create a more dynamic support framework within the public sector for Welsh businesses.

- *What advice or support would you like to see from the Welsh Government that will help you and your sector to prepare for Brexit?*

As has been stated above, the Welsh Government is in a difficult position given its devolved status. Without the clarity (that will only emerge with time as the negotiations continue), Welsh Government will not be in a position to advise on what the full impact of Brexit will be for the public sector in Wales.

Ensuring that adequate funding will remain in place for the public sector to continue delivering services and support Welsh businesses will have a significant effect in mitigating the impact of Brexit and help the public sector prepare for it.

From an economic regeneration perspective, it is imperative that:

- 1) There is a clear communication link with WG to discuss issues as they emerge. WLGA currently appear to be acting as the go between but more needs to be done by WG to communicate with those currently responsible for implementing EU programmes so that both LA's and WG are geared up for any new programme.
- 2) WLGA are currently our best link to the internal workings within WG as Brexit talks continue. A communication strategy needs to be developed to ensure information is imparted to the LA's effectively.
- 3) WG needs to ensure that local government has representation on working groups meeting to agree Wales' negotiating position – especially as it is local government that will have responsibilities for delivering.
- 4) The Wales External Funding Group is a group set up to explore opportunities for LA's to secure funding. Currently facilitated by LA officers and our Regional Engagement Team Officer, this group would be a good forum for WG to attend to discuss in more details the way forward post Brexit for emerging funding programmes.

What are the main issues facing your sector as a result of the UK's withdrawal from the European Union and how should the Welsh Government respond to these?

EU Trade

1. Around 10,000 of Wales' agricultural holdings have standard outputs in excess of €25,000 (an EU threshold for farm categorisation), of which 68% are Less Favoured Area (LFA) cattle and sheep farms; 15% are dairy enterprises; 12% are non-LFA cattle and sheep enterprises; and 5% are other farm types.
2. Of Wales' estimated 2016 aggregate agricultural output of £1,447 million, sheep, beef and dairy production accounted for 18%, 26% and 29% respectively.
3. Wales' food and drink industry has a turnover of £16.8 billion, and employs 223,100 people, comprising 76,700, 69,300, 54,000 and 22,400 in the retail and wholesale, catering, agriculture and manufacturing industries respectively.¹
4. In 2016, 72% of Welsh food and drinks were exported to the EU, of which meat and meat preparations were the most significant category, accounting for almost 22%. Around 95% of sheepmeat is exported from Wales, of which around 35% goes to the EU.²

5. Welsh food can be divided into two broad categories; premium and commodity/lower value products, both of which play an important role in terms of Wales' food sector. Moreover, it is invariably the case that the value of premium products in key sectors are complemented or underpinned by the value of commodity products.
6. For example, the total value of a lamb is related to the value of prime cuts, such as legs, as well as the value of lower value cuts, offal and skins, and the total value is therefore a function of prices in both premium and lower value markets.
7. As such, both commodity and premium production and markets play an important and interrelated role in terms of Wales' food and farming industry, and the ability to complement the value of a commodity by exporting products or byproducts which have a higher value in EU markets is important.
8. It should also be noted that EU supply chains are highly integrated, with commodities, ingredients, byproducts etc. often crossing many borders.
9. As such, changes to trading arrangements with the EU and the rest of the world would have major impacts on Wales' agricultural industries.

² The value of Welsh Food and Drink, Welsh Government, 2015

Welsh Government figures

10. As expected, the research estimates particularly extreme impacts of a 'hard' Brexit (where easy access to the EU Single Market is lost) for the sheep sector, with a 30% fall in prices and a 20% fall in Welsh production, highlighting our reliance on lamb exports in particular, while the need to make up the current trade deficit in beef and dairy produce leads to 17% and 30% increases in beef and dairy prices respectively, and a consequential 14% increase in Welsh cattle numbers.
11. The model of a more extreme Brexit scenario (where the UK not only loses easy access to the EU Single Market, but also allows tariff-free food imports from around the world) predicts falls in sheep, beef, dairy and pork prices of 29%, 45%, 10% and 12% respectively, leading to consequential falls in production across the board – including acute collapses of 60% and 18% in Welsh beef cattle and sheep numbers respectively.
12. Given such variance (for example, estimated impacts on beef prices in the range -45% to +17%, and beef output value in the range -50% to +29%, depending upon the final Brexit outcome), and uncertainty regarding what trade arrangements will be in place post-Brexit, it must be acknowledged that the degree to which the Welsh Government can respond to such risks is extremely limited.
13. The FUW therefore welcomes the Welsh Government's frequent highlighting of the importance of maintaining access to the EU Single Market, and the adverse impacts of losing such access, in documents such as the Securing Wales' Future White Paper.⁴

14. Before the 23rd June 2016, the FUW had urged the Welsh Government to commission research into the possible impacts of Brexit on Wales' agriculture industry and wider economy, and in January 2016 the then Chair of the Strategic Framework for Welsh Agriculture Partnership Group (now called Amaeth Cymru, of which FUW is a founder member) wrote to the then Deputy Minister, Rebecca Evans, asking for such a detailed analyses to be undertaken.
15. A key call in the FUW's May 2016 Welsh Assembly Election Manifesto was for the incoming administration to "Identify, qualitatively and quantitatively, the likely impacts of further reductions in CAP support, market liberalisation and the UK's exit from the EU on Wales' rural and wider economy, including in terms of the incomes and viability of farm businesses and the secondary and tertiary businesses which rely on them."
16. Whilst the delay in undertaking such work is regrettable, the work commissioned by Welsh Government to date is welcome, and the Welsh Government should ensure any gaps in such commissioned work are filled as a matter of urgency.
17. In particular, the FUW has urged the Welsh Government to undertake work to examine and quantify the possible impacts of post-Brexit scenarios on those involved in secondary and tertiary businesses involved with agriculture and the food supply chain, such as vets, hauliers and rural businesses.
18. Such work is essential not only in terms of informing preparations, decisions and contingency plans relating to Brexit, but also in terms of informing other administrations of the challenges and opportunities under different scenarios – in particular the UK Government, including those involved in trade negotiations – and the need for appropriate transition periods.

UK Agricultural Framework

19. Under current devolution arrangements and EU Regulations, Wales has devolved powers over agricultural policies and spending, as well as over a number of areas which impact upon agriculture.
20. However, all policies and spending must conform to overarching EU Regulations, aimed at minimising unfair competition between regions and ensuring equivalent rules are applied in regions and on farms.
21. This arrangement allows devolved administrations to implement payment systems and policies which differ, but comply with the overarching principles of a uniform framework.
22. Where countries, or groups of countries which form trading blocs, trade with each other, similar frameworks are generally in place in order to reduce market distortion, either through bilateral agreement, or (in what are usually significantly less mutually advantageous circumstances) through World Trade Organisation rules.
23. Irrespective of what trade deals are in place post-Brexit, within the UK Welsh farmers will compete against their counterparts in other devolved regions. As such, the rationale for having a common policy across the UK which minimises unfair competition and market distortion will remain unchanged.
24. The FUW therefore believes a UK agricultural framework should be put in place which prevents unfair competition between devolved regions and secures and protects adequate long term funding for agriculture, while

also respecting devolved powers over agriculture and the need for flexibility within that framework which allows devolved governments to make decisions which are appropriate for their regions.

25. Whilst some may argue for greater devolved powers in terms of flexibility within such a framework/frameworks, possibly for patriotic or nationalistic reasons, it must be noted that such flexibility could work against the interests of Wales, as it would also apply to those against whom Welsh producers compete.
26. In a similar context, it is also essential that the Welsh and other Governments do not adopt an inward-looking mentality, given that in most likely post-Brexit scenarios we will continue to compete against producers from outside the UK. A UK framework must therefore be drawn up with the development of other non-UK frameworks in mind – in particular the next EU CAP. Such a framework should also respect WTO rules in order to minimise the risks of trade disputes with other countries and trading blocs.
27. Given this, the FUW welcomes recent – but long overdue – moves by the UK Government to genuinely engage with devolved administrations regarding the development of such a framework, and believes the Welsh Government should work constructively with the other administrations and the agricultural industry to develop such a framework.
28. It is also essential that the Welsh Government takes an outward rather than inward looking view by recognising that any perceived benefits for Wales of an overly liberal agricultural framework could be vastly outweighed by unfair competition from producers in other devolved regions operating under very different policies which distort trade.

What advice, support, or assistance have you received from the Welsh Government to date in preparation for Brexit?

29. It must be recognised that the degree to which appropriate advice can be given by Government to any industry, and in particular agricultural businesses, is extremely limited due to the uncertainty over Brexit and the risk that detailed advice may turn out to be inappropriate.
30. As such, the Welsh Government and FUW has continued to provide appropriate advice about the need for farm businesses to establish and monitor recent and current costs and outputs, such that the likely impacts of any policy changes or trade agreements can be quickly assessed, and appropriate decisions taken in order to maximise opportunities and minimise adverse impacts.

What financial considerations have arisen as a result of UK's future withdrawal from the

European Union and what should be done to prepare for these?

31. Wales receives around £300 million per annum through the EU's Common Agricultural Policy, and would, Brexit notwithstanding, have received €2,245 million and €355 million in Pillar 1 and 2 funding respectively for the current CAP period (2014–2020).
32. Wales' CAP Pillar 1 and 2 allocations are, in simple terms, based upon historical (pre-2013) spending: Wales' receives 9% of the UK's Pillar 1 allocation, reflecting agricultural production before 2005, and 14% of the UK's Pillar 2 allocation, reflecting the proportion of the UK Pillar 2 budget allocated to Wales under the previous (2007–2013) CAP

33. By comparison, the Barnett Formula allocates a budget on the basis of Welsh spending on services comparable with those in England, given Wales' population compared to England's. The population of Wales for 2016–21, expressed as a percentage of the population of England, is 5.7%
34. As such, the incorporation of agricultural and rural development spending within the Barnett Formula post-Brexit would result in a significant reduction in the proportion of such an agricultural budget received by Wales, estimated to be hundreds of millions less. Naturally, the combination of such a policy with any reduction in UK spending on agriculture and rural development would have further severe impacts in terms of funding for Wales.
35. Furthermore, while the annual EU budget must remain within ceilings agreed for a seven-year period, domestic (UK or Welsh) funding arrangements could introduce significant uncertainty, with allocations changing more frequently (for example, at each budget announcement), thereby resulting in financial uncertainty and instability for businesses and Governments alike.
36. Direct support makes up around 80 percent of Welsh farm business income, and in the 2015–16 financial period, 55 percent of farm businesses either made a loss, or would have made a loss without direct support through the Common Agricultural Policy.¹
37. Despite this, average agricultural costs exceeded £111,000 per farm businesses, more than five times the average Basic Payment received, and such costs therefore make a major contribution to the wider rural economy.

¹ Farm incomes in Wales, 2015, Welsh Government, December 2016

38. For each pound paid to farmers under Pillar 1 of the CAP, farm businesses pay out £1.66 for feed, £0.61 in machinery expenses, £0.36 for contract work, £0.29 in veterinary costs, £0.19 in farm maintenance and £1.52 in other farm costs.⁵
39. Agriculture accounts for between 10% and 28% of employment in 68 percent of Wales' most sparsely populated rural communities, and 16% of employment in Powys, which represents a quarter of Wales' landmass.
40. Agriculture and farming families also play an essential role in terms of maintaining Wales' unique habitats and physical and cultural landscapes, all of which are central to the well-being of Wales' people and communities and attracting around 10 million tourists to Wales each year.
41. The impact of drops in farm support alongside changes in trading arrangements has been investigated through modelling work commissioned by the Agricultural and Horticultural Development Board (AHDB).²
43. That work predicts falls in LFA livestock, lowland livestock, and dairy farm incomes of 51%, 81% and 35% respectively under a scenario where agricultural support is cut by 50%, WTO tariffs are applied to UK food exports, but none are applied to imports.
44. Under a scenario where agricultural support is cut by 75%, the UK adopts the same common external schedule of tariffs as the EU and retains a proportion of existing WTO Tariff Rate Quotas, LFA livestock, lowland livestock, and dairy farm incomes fall by 109% and 77%, while dairy farm incomes rise by 33%.

² Horizon - Brexit Scenarios: an impact assessment, AHDB, September 2017

45. As such, there is a real risk that Brexit could bring with it a significant cut in the funding allocated to Wales, and consequences for individuals, businesses and communities which exacerbate other problems caused by, for example, changes to trading arrangements.

46. Scenarios where overall funding is maintained but payments are allocated in different ways may also have adverse consequences for many businesses if they are not thoroughly investigated.

47. As such, the Welsh Government should ensure that it works with the UK Government and other devolved administrations to secure a ring-fenced agriculture and rural affairs budget which is outside the Barnett Formula, and that any changes to the same take place over an appropriate transition period.

48. The Welsh Government should also thoroughly investigate and analyse proposed changes to farm support in order to assess their likely impact.

What advice or support would you like to see from the Welsh Government that will help you and your sector to prepare for Brexit?

49. The most important work which should continue to be undertaken or commissioned by the Welsh Government is that which attempts to quantify the possible impacts of different post-Brexit scenarios, in order to inform Welsh Government policy, other policy makers and individual businesses.

50. This is particularly important given that Brexit has increased the propensity for well-meaning, idealistic and aspirational policies to be developed, sometimes with little or no reference to data and evidence of their possible impact on Welsh people, businesses, supply chains and communities. The

development of such policies without thorough investigation marks a dangerous move away from evidence-based decision making.

51. For similar reasons, it is important that the legal implications of policies, in terms of international trade, WTO rules etc., are thoroughly investigated.

52. Such information and developments should be communicated to industry in clear formats in order to explain policy development and highlight risks and opportunities.