

Agenda – Economy, Trade, and Rural Affairs Committee

Meeting Venue:	For further information contact:
Hybrid – Committee room 5 Ty Hywel and video Conference via Zoom	Robert Donovan Committee Clerk
Meeting date: 12 January 2023	0300 200 6565
Meeting time: 09.30	SeneddEconomy@senedd.wales

Private pre-meeting (09.15–09.30)

Public Meeting (09.30–13.00)

1 Introductions, apologies, substitutions and declarations of interest

(09.30)

2 Papers to note

(09.30)

2.1 Letter from the Institute of Physics

(Pages 1 – 10)

Attached Documents:

Welsh Government draft budget 2023–24

2.2 Letter from the Minister for Rural Affairs and North Wales, and Trefnydd

(Pages 11 – 13)

Attached Documents:

Welsh Government's follow up to questions from the meeting on 16

November 2022 – Agriculture (Wales) Bill



2.3 Letter from the Chair of the Legislation, Justice and Constitution Committee

(Pages 14 – 15)

Attached Documents:

The Organic Production (Amendment) Regulations (No. 2) 2022

2.4 Letter from the Chair of the Public Accounts and Public Administration Committee

(Pages 16 – 17)

Attached Documents:

Public Accounts and Public Administration Committee Inquiry into Public Appointments

2.5 Letter from the First Minister to the Chair of the Finance Committee

(Pages 18 – 19)

Attached Documents:

Scrutiny of the financial implications of Bills

2.6 Letter from the Minister for Rural Affairs and North Wales, and Trefnydd

(Pages 20 – 32)

Attached Documents:

Welsh Government's follow up to questions from the meeting on 21 November 2022 – Agriculture (Wales) Bill

2.7 Letter from the Minister for Rural Affairs and North Wales, and Trefnydd

(Pages 33 – 37)

Attached Documents:

Finance Committee meeting on 9 November 2022 – Agriculture (Wales) Bill

2.8 Letter to the Chair of the Petitions Committee

(Page 38)

Attached Documents:

Petition P-06-1291 Hold an enquiry into the corporate takeover of the veterinary profession in Wales

2.9 Letter from the Chair of the Finance Committee

(Pages 39 – 42)

Attached Documents:

Draft Budget 2023-24

2.10 Letter from the First Minister

(Pages 43 – 46)

Attached Documents:

Second Additional Protocol to the Council of Europe Convention on Cybercrime

2.11 Letter from the Chair of the Legislation, Justice and Constitution Committee

(Pages 47 – 78)

Attached Documents:

Legislative Consent: Retained EU Law (Revocation and Reform) Bill

2.12 Letter from the Minister for Economy

(Pages 79 – 82)

Attached Documents:

UK-New Zealand Free Trade Agreement

2.13 Letter from the Minister for Rural Affairs and North Wales, and Trefnydd to the Chair of the Legislation, Justice and Constitution Committee

(Pages 83 – 86)

Attached Documents:

Welsh Government's points of clarification following the meeting on 21 November 2022 – Agriculture (Wales) Bill

2.14 Letter to the Minister for Rural Affairs and North Wales, and Trefnydd

(Pages 87 – 88)

Attached Documents:

Food (Wales) Bill

2.15 Letter from the Minister for Rural Affairs and North Wales, and Trefnydd

(Pages 89 – 90)

Attached Documents:

Agriculture (Wales) Bill – Sheep meat and marketing standards

2.16 Letter from the Chair of the Finance Committee to the First Minister

(Pages 91 – 93)

Attached Documents:

Scrutiny of the financial implications of Bills

2.17 Letter from the Minister for Finance and Local Government to the Chief Secretary to the Treasury

(Pages 94 – 106)

Attached Documents:

Energy Bills Relief Scheme (EBRS)

2.18 Letter to the Minister for Economy

(Pages 107 – 113)

Attached Documents:

Cost of living

2.19 Letter from the Minister for Economy

(Page 114)

Attached Documents:

Inter-Ministerial Group meeting – 9 January 2023

2.20 Letter from the Minister for Climate Change

(Pages 115 – 116)

Attached Documents:

Inter-Ministerial Group meeting – 5 December 2022

3 Welsh Government Draft Budget – Minister for Rural Affairs and North Wales, and Trefnydd

(09.30–11.00)

(Pages 117 – 154)

Lesley Griffiths MS

Gian Marco Currado, Director, Environment & Marine

Gavin Watkins, Chief Veterinary Officer

Dean Medcraft, Director, Finance & Operations

Attached Documents:

Evidence paper

Research brief

Break (11.00–11.10)

4 Welsh Government Draft Budget – Minister for Economy

(11.10–12.40)

(Pages 155 – 215)

Vaughan Gething MS

Sioned Evans, Director, Business and Regions

Dean Medcraft, Director, Finance & Operations

Jo Salway, Director, Social Partnership and Fair Work

Attached Documents:

Evidence paper

Research brief

5 Legislative Consent: Levelling Up and Regeneration Bill: Revised LCM and Supplementary LCM

(12.40–12.50)

(Pages 216 – 233)

Attached Documents:

Legal Advice note

6 Legislative Consent: Genetic Technology (Precision Breeding) Bill LCM

(12.50–13.00)

(Pages 234 – 254)

Attached Documents:

Legal Advice Note

- 7 Motion under Standing Order 17.42(ix) to resolve to exclude the public for the remainder of the meeting**
(13.00)

- 8 Private**
(13.00–13.15)
Consideration of evidence following the meeting

- 9 Public Accounts and Public Administration Committee Inquiry into Public Appointments**
(13.15–13.20)

- 10 Legislative Consent: Levelling Up and Regeneration Bill: Revised LCM and Supplementary LCM**
(13.20–13.25)

- 11 Legislative Consent: Genetic Technology (Precision Breeding) Bill LCM**
(13.25–13.30)

- 12 International Agreement: Agreement between the UK and Switzerland on mutual recognition in relation to conformity assessment**
(13.30–13.35) (Pages 255 – 258)

Attached Documents:
Research brief

Jayne Bryant MS and Paul Davies MS
Senedd Cymru
Cardiff
CF99 1NA

6 December 2022

RE: Welsh Government draft budget 2023–24

Annwyl Jayne a Paul,

I am writing to you regarding the Finance Committee's scrutiny of the Welsh Government's draft budget 2023–24. We have submitted evidence directly to the Finance Committee, but the contents are likely to be of interest to you and your committees for budget scrutiny.

Our submission covers concerns over research funding, incentives for recruiting physics teachers and the need to ensure adequate budgets for the Curriculum for Wales.

I note that the Children, Young People and Education Committee has written to the relevant ministers about its areas of interest, and our evidence should support the committee's scrutiny of those matters.

The submission is attached, and please note that the Institute of Physics would be keen to provide oral evidence on these matters to your committees.

Yn gywir,



Eluned Parrott

Head of Wales, Institute of Physics

Response to the Senedd Finance Committee's inquiry into the Welsh Government draft budget 2023–24 (18 November 2022)

Overview

- i. The Institute of Physics (IOP) is the professional body and learned society for physics in the UK and Ireland. It seeks to raise public awareness and understanding of physics, inspire people to develop their knowledge, understanding and enjoyment of physics and support the development of a diverse and inclusive physics community. As a charity, it has a mission to ensure that physics delivers on its exceptional potential to benefit society.
- ii. The IOP believes it is imperative the draft budget for 2023–24 includes substantial increases to funding for research, development and innovation (RDI). The IOP previously made this case to the committee for its inquiry into post-EU funding.¹
- iii. The IOP acknowledges the problems created by the replacements for EU structural funds and the on-going uncertainty regarding Horizon Europe. However, there are actions within the Welsh Government's power that should be taken. Many of these actions were included in the IOP's response to the consultation on the draft innovation strategy for Wales.² With regards to funding and the budget, the Welsh Government should push further in implementing recommendations of Professor Graeme Reid's review of government-funded research and innovation:³
 - Funding for the Higher Education Funding Council for Wales (HEFCW):
 - Uplifts to quality-related research (QR) funding.
 - £30m Future of Wales Fund to reward institutions that attract funding into Wales.
 - £25m Research Wales Innovation Fund.
 - Funding for the Welsh Government:
 - £25m St David's Fund for innovation hubs, competitions and within government.
 - Research and innovation office in London.
- iv. The IOP also believes the draft budget should continue to increase funding for the professional learning required to deliver the new Curriculum for Wales (CfW). This would include on-going support for training the physics education workforce, uplifts to teacher training incentives and wider increases for implementation of the working group on Black, Asian and Minority Ethnic Communities, Contributions and Cynefin in the New Curriculum.⁴ In particular, clarity would be welcome on funding availability for the Stimulating Physics Network Wales and associated whole-school equity and inclusion project, as well as the Physics Mentoring Project.
- v. The IOP is keen to present and discuss these matters in person with the committee.

1. Research, development and innovation (RDI)

- 1.1 Physics is of substantial benefit to Wales; the Centre for Economics and Business Research found it is worth £7.3bn GVA to the Welsh economy and supports 113,138 jobs—this is equivalent to 10% of both GDP and full-time employment in Wales.⁵ These physics-based businesses increased turnover by 36% and employee pay by 41% in a decade—the fastest rises of the four UK nations and well above the UK average. Despite this success, Wales has had low levels of R&D for

¹ Institute of Physics. 2022. [Response to the Senedd Finance Committee's inquiry into post-EU funding \(13 May 2022\)](#). London: Institute of Physics.

² Institute of Physics. 2022. [IOP response to the Welsh Government's consultation on the draft innovation strategy \(28 September 2022\)](#). London: Institute of Physics.

³ Reid, G. 2018. [Review of Government Funded Research and Innovation in Wales](#). Cardiff: Welsh Government.

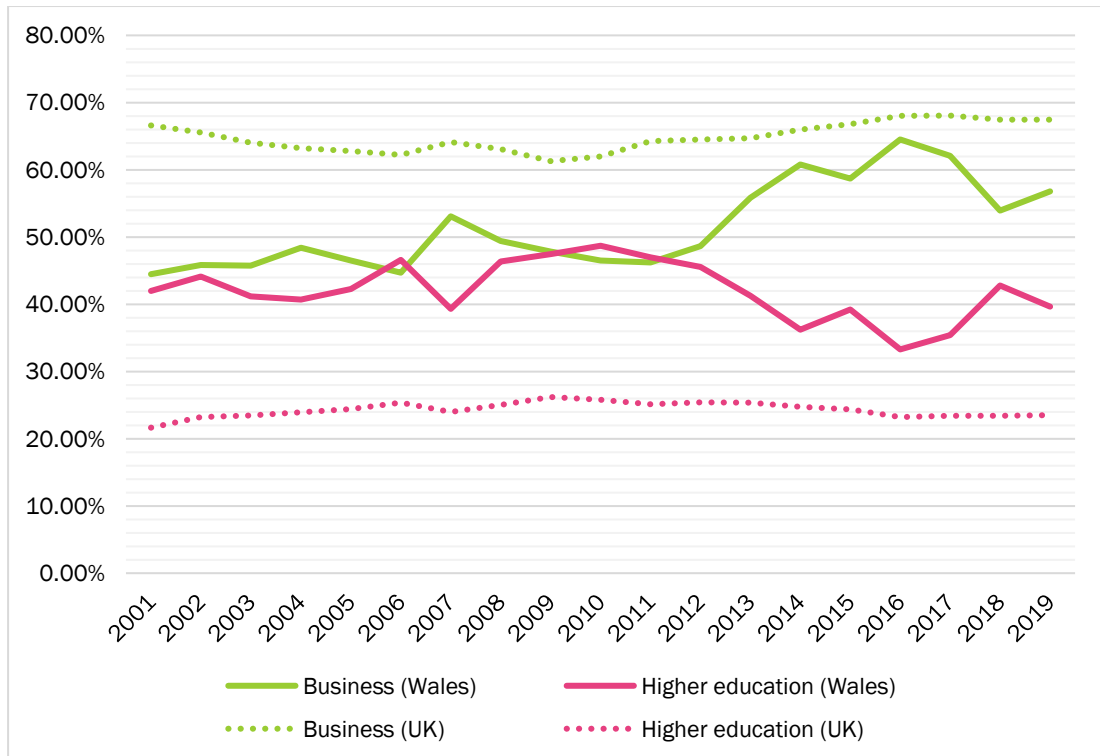
⁴ Welsh Government. 2021. [Black, Asian and Minority Ethnic Communities, Contributions and Cynefin in the New Curriculum Working Group: final report](#). Cardiff: Welsh Government.

⁵ Centre for Economic and Business Research. 2021. [Physics and the Economy: Measuring the value of physics-based industries in Wales](#). London: Centre for Economic and Business Research.

decades, has the lowest R&D spending per head of the UK nations and regions of England and is consistently at the bottom of productivity tables.^{6 7 8 9}

- 1.2 According to research from CBI Economics, physics innovators in Wales collaborate more regularly with universities, business partners and peer networks/associations compared to UK colleagues.¹⁰ Similarly, higher education performs a larger share of R&D in Wales compared to higher education’s share for the UK.¹¹ Across the last 20 years, universities have on occasion overtaken the private sector in Wales (a situation unthinkable for the UK as a whole). Clearly, Wales requires more private sector R&D; until this happens, higher education needs to be protected—Wales’s overall levels need to increase, rather than a zero-sum shift.

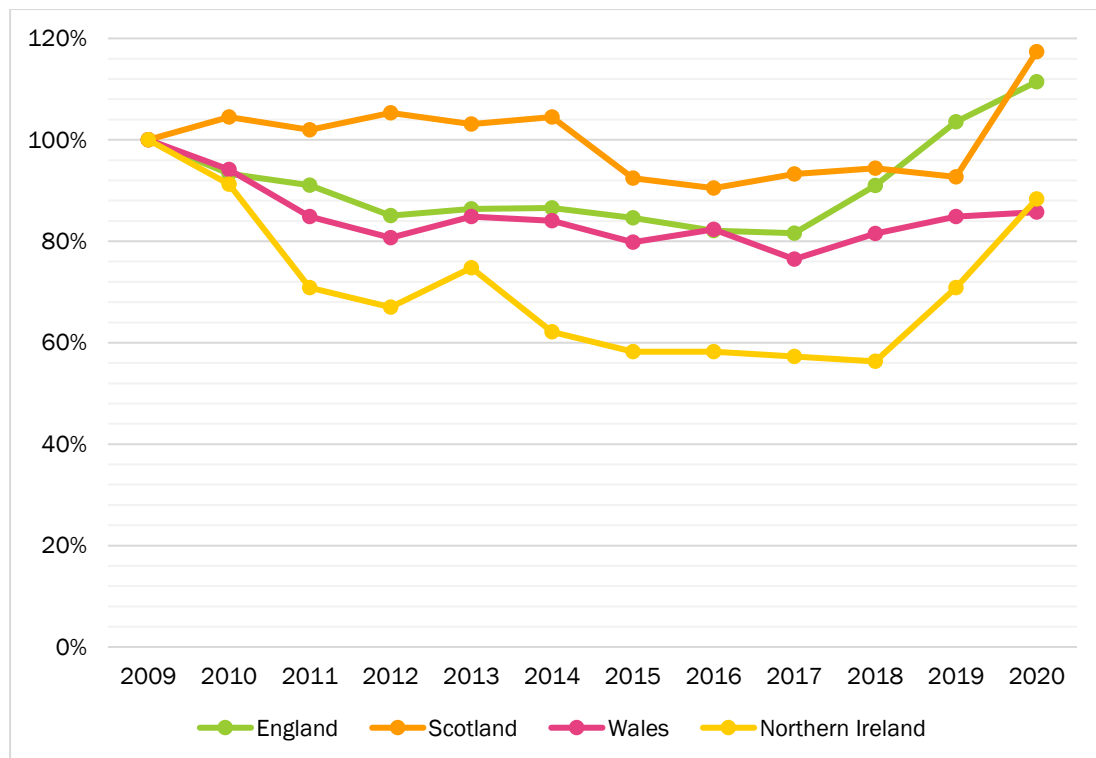
Graph 1: Higher education and private sector share of R&D, 2001–2019



- 1.3 CBI Economics also found physics innovators in Wales feel direct costs are the most substantial challenge to RDI, a finding more pronounced in Wales compared to UK. The innovators were, compared to UK counterparts, more dependent on financial support from the Welsh and UK governments and the EU. Even though the COVID-19 pandemic had a more disruptive impact on physics RDI in Wales, innovators were optimistic RDI spending would increase in the next five years *if conditions were right*.
- 1.4 Despite higher education doing more of the ‘heavy lifting’, HEFCW’s allocations for research have, at best, flatlined; when adjusted for inflation, Wales is failing to keep pace with other nations. Considering CBI Economics’ findings, the current situation does not augur well. Stagnant allocations for university research, coupled with the with current 10.1% rate of the consumer prices index, will create significant pressure in Wales.¹²

⁶ Henley, A. 2021. [Wales’ Productivity Challenge: Exploring the issues](#). Manchester: Productivity Institute.
⁷ Hutton, G. 2021. [Research Briefing: Research and development spending](#). London: UK Parliament.
⁸ Office for National Statistics. 2021. [Gross domestic expenditure on research and development, by region, UK](#). Newport: Office for National Statistics.
⁹ Office for National Statistics. 2021. [Annual regional labour productivity](#). Newport: Office for National Statistics.
¹⁰ CBI Economics. 2022. [Paradigm shift: Unlocking the power of physics innovation for a new industrial era](#). London: Institute of Physics.
¹¹ StatsWales. 2021. [Research and development expenditure in Wales by expenditure type and year](#). Cardiff: Welsh Government.
¹² Office for National Statistics. 2022. [Consumer price inflation, UK: September 2022](#). Newport: Office for National Statistics.

Graph 2: R&D allocations from core funder, 2009–20 (constant prices, where 2009=100%)



- 1.5 HEFCW will soon be folded into the new Commission for Tertiary Education and Research (CTER). The Tertiary Education & Research (Wales) Act included the provision that CTER should safeguard “continuous improvement in the quality of research and innovation carried out by relevant persons, and the competitiveness of that research and innovation compared to research and innovation carried out by other persons”.¹³ Funding increases, which will help make that provision a reality, should not be postponed until CTER is in full operation; the situation needs to be addressed now.
- 1.6 The IOP acknowledges the Welsh Government does not control all public funding for RDI, with UKRI, the Advanced Research and Invention Agency and replacements for EU funding reserved to Westminster.^{14 15} The IOP has put on record its criticisms of replacements for EU regional development funding as a *de facto* cut to science and innovation in Wales, also calling for greater involvement from Wales in the running and structures of UKRI (this was rejected most recently in Sir David Grant’s review of UKRI).^{16 17 18}
- 1.7 But this inquiry relates to the powers directly within the Welsh Government’s remit. The last public review of Welsh Government-funded RDI, led by Professor Graeme Reid, proposed uplifts to existing streams and the creation of new funding pots. Reid proposed two set of funding allocations: one if the Welsh Government controlled replacement funds and one if it did not. As stands, the Welsh Government has still fallen short of the latter.
- 1.8 The Centre for Innovation Policy Research produced a report on the state of the RDI landscape in Wales, with the report being presented to the Welsh Government’s Innovation Advisory Council for

¹³ [Tertiary Education and Research \(Wales\) Act 2022](#). asc. 1.

¹⁴ [Government of Wales Act 2006](#). c. 32.

¹⁵ [United Kingdom Internal Market Act 2020](#). c. 27.

¹⁶ Institute of Physics. 2022. [Response to the Senedd Finance Committee’s inquiry into post-EU funding \(13 May 2022\)](#). London: Institute of Physics.

¹⁷ Institute of Physics. 2022. [IOP Response to the Nurse Review](#). London: Institute of Physics.

¹⁸ UK Government. 2022. [Independent review of UK Research and Innovation \(UKRI\): final report and recommendations](#). London: UK Government.

Wales in 2021.¹⁹ It noted the problems with the current quasi-implementation of Reid. The Welsh Government's position is that it will only implement all of Reid with uplifts to its budget as part of a post-EU settlement.²⁰ ***This is not consistent with the recommendations from Reid, and the IOP believes Reid's original proposals should be implemented in full and at pace.***

1.9 The Welsh Government's draft innovation strategy has been issued for consultation and responses are now being reviewed.²¹ The strategy did not appear to include any new funding commitments, which would be a serious flaw. The draft budget should include funding to allow for several clear actions that are required:

- Full implementation of the Reid review recommendations.
- Further uplift to QR to compensate for the below inflation allocations in the last decade.²²
- Welsh Government recognizing the impact of full economic costs (FEC) not being recovered on all publicly funded research grants (an absence of FEC is known to create additional pressures in places, like Wales, already lagging for RDI activity).^{23 24}

1.10 The strategy lists what the Welsh Government wants from innovation and what it would like to see UKRI recipients to do with grant funding. But, if the money is from UKRI, then UKRI and the UK Government will decide what happens with it. ***For the Welsh Government to have an innovation strategy with deliverables, it will need to institute its own funding, increase existing streams and incentivise UKRI grant capture.***

1.11 As it stands, the UK Government has a target of increasing public R&D spend by 40% outside England's greater southeast by 2030, pivoting investment zones towards universities, maintaining its aim of R&D spending reaching 2.4% of GDP and protecting R&D budgets until 2025 (albeit in cash rather than real terms).^{25 26} Similarly, the Irish government has reaffirmed its own target of 2.5% GNP.²⁷ The Welsh Government cannot set an equivalent target, as it does not have the same fiscal powers as the other governments. However, one of its five priorities for RDI vowed to:

“Ensure Wales has a fair share of available research, development and innovation funding and we will work to secure funding levels at least equivalent to those we received historically, via the European Union. We will also work to address historic underfunding from both competitive and non-competitive UK investment sources.”²⁸

1.12 Wales was insufficiently RDI-active before Brexit; returning to those levels is unlikely to meet the challenges we face. Indeed, Welsh universities warned publicly this summer about the pressures that are arising from flatlined QR budgets.²⁹ Like the IOP, they also warned about the shortfall that will be incurred via the design of EU replacement funds.³⁰

2. Education and Welsh language

2.1 The IOP is working closely with the Welsh Government on a range of government-funded projects intended to increase the number of physics teachers and ensure current physics teachers have the best possible support. This includes the Stimulating Physics Network Wales and associated

¹⁹ Delbridge, R., Henderson, D. and Morgan, K. 2021. [Scoping the future of Innovation Policy in Wales](#). Cardiff: Centre for Innovation Policy Research.

²⁰ Welsh Government. 2019. [Wales: Protecting research and innovation after EU exit](#). Cardiff: Welsh Government.

²¹ Welsh Government. 2022. [Innovation strategy for Wales](#). Cardiff: Welsh Government.

²² Institute of Physics. 2022. [Physics: investing in our future](#). London: Institute of Physics.

²³ Institute of Physics. 2022. [IOP Response to the Nurse Review](#). London: Institute of Physics.

²⁴ Chaytor, S., Gottlieb, G. and Reid, G. 2021. [Regional policy and R&D: evidence, experiments and expectations](#). Oxford: Higher Education Policy Institute.

²⁵ UK Government. 2022. [Levelling Up the United Kingdom](#). London: UK Government.

²⁶ UK Government. 2022. [Autumn Statement 2022: documents](#). London: UK Government.

²⁷ Government of Ireland. 2022. [Impact 2030: Ireland's Research and Innovation Strategy](#). Dublin: Government of Ireland.

²⁸ Drakeford, M. 2021. [Written Statement: Five priorities for research, development and innovation](#). Cardiff: Welsh Government.

²⁹ McIntyre, F. 2022. [Flatlined QR funding in Wales prompts concern](#). London: Research Professional.

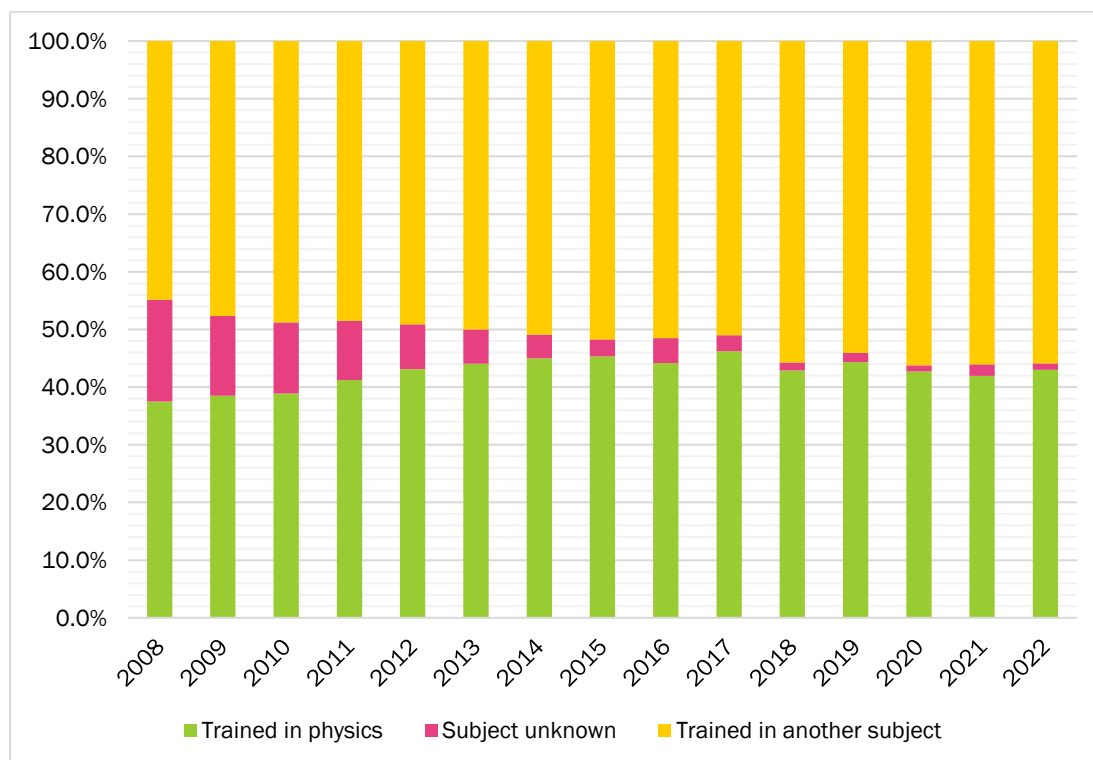
³⁰ Inge, S. 2022. [Shared Prosperity Fund guidance omits R&D and universities](#). London: Research Professional.

whole-school equity and inclusion project, as well as the Physics Mentoring Project.³¹ Audit Wales has pointed to the need to maintain sufficient investment in professional learning to deliver CfW.³² This is consistent with lessons to be learned from Scotland’s Curriculum for Excellence.³³

2.2 IOP’s projects are funded on an annual basis and face regular funding cliff-edges. Such projects are what the physics teaching community needs and wants, as clarified by a 2020 study from the IOP (for which the Welsh Government was an observer).³⁴ ***The IOP would welcome the draft budget clarifying projects’ potential continuation and, preferably, multi-annual funding.***

2.3 Such projects are, in part, a response to the known shortage of physics-trained teachers, a problem Wales shares with the rest of the UK. In 2022, only 43% of those teaching physics in secondary schools were trained in the subject.³⁵ Available data indicates no majority trained in the subject since 2013, with potentially no majority since records started.³⁶

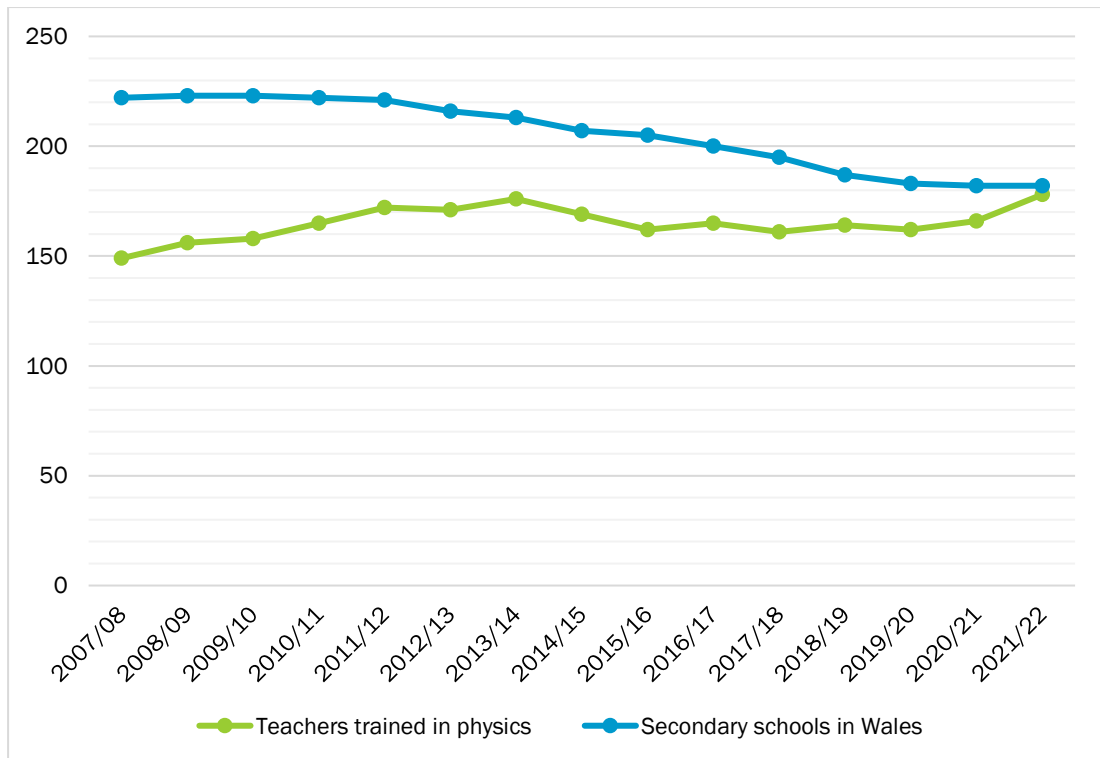
Graph 3: Percentage of physics teachers in Wales trained in physics, 2008–22



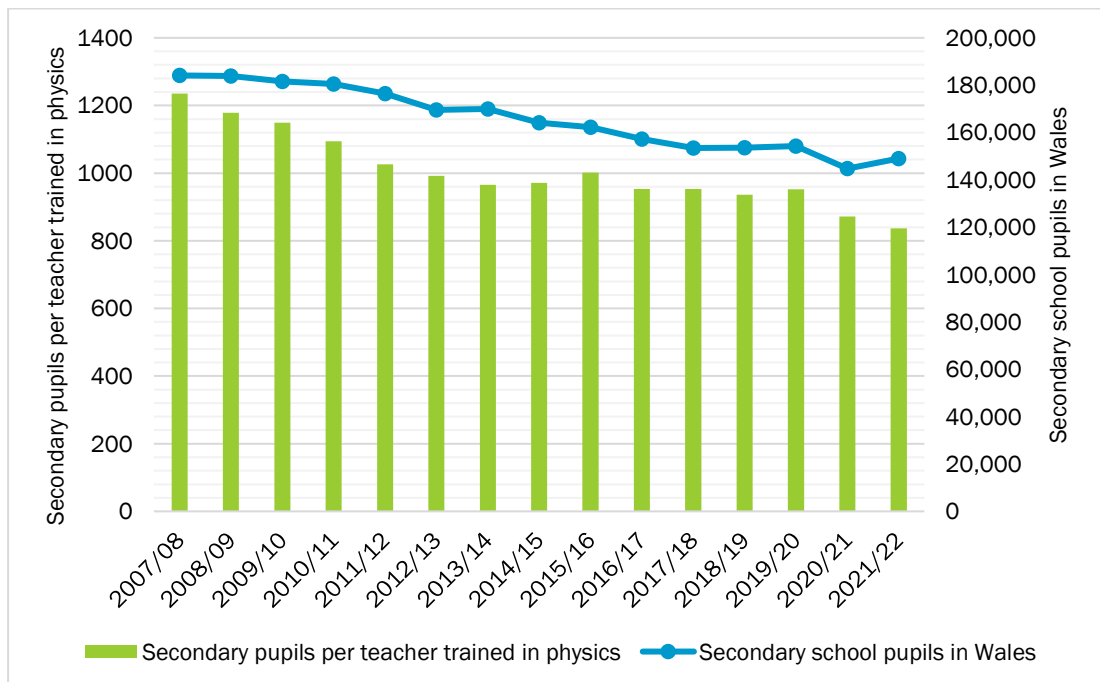
2.4 The upshot is that Wales has fewer physics-trained teachers (178) than secondary schools (182). For the latest year, there were 837 secondary school pupils in Wales per teacher trained in physics (note, this is not teachers of physics).³⁷ ³⁸ The gap has narrowed in the last decade, but *the number trained in physics has risen as the proportion of ‘subject known’ has fallen; one cannot be conclusive as to whether there are more physics-trained teachers in the system.*

³¹ Physics Mentoring Project. 2022. [Our Aims](#). Cardiff: Physics Mentoring Project.
³² Auditor General for Wales. 2022. [The new Curriculum for Wales](#). Cardiff: Audit Wales.
³³ Muir, K. 2021. [Putting Learners at the Centre: Towards a Future Vision for Scottish Education](#). Edinburgh: Scottish Government.
³⁴ Institute of Physics. 2020. [Subjects Matter](#). London: Institute of Physics.
³⁵ Education Workforce Council. 2022. [Annual Education Workforce Statistics for Wales 2022](#). Cardiff: Education Workforce Council.
³⁶ Education Workforce Council. 2022. [Education workforce statistics](#). Cardiff: Education Workforce Council.
³⁷ StatsWales. 2022. [Schools by local authority, region and type of school](#). Cardiff: Welsh Government.
³⁸ StatsWales. 2022. [Pupils present on census day by local authority and sector](#). Cardiff: Welsh Government.

Graph 4: Teachers trained in physics and secondary schools in Wales, 2008–22



Graph 5: Secondary school pupils per teacher trained in physics in Wales, 2008–22



2.5 The evidence is that the shortage is more pronounced in Welsh-medium education. Welsh Government-commissioned research found science as one of the most difficult subjects for recruitment.³⁹ Research from Bangor University noted, among many key findings, that “student

³⁹ Bryer, N. and Duggan, B. 2019. *Evaluation of Welsh-Medium Provision in Initial Teacher Education*. Cardiff: Welsh Government.

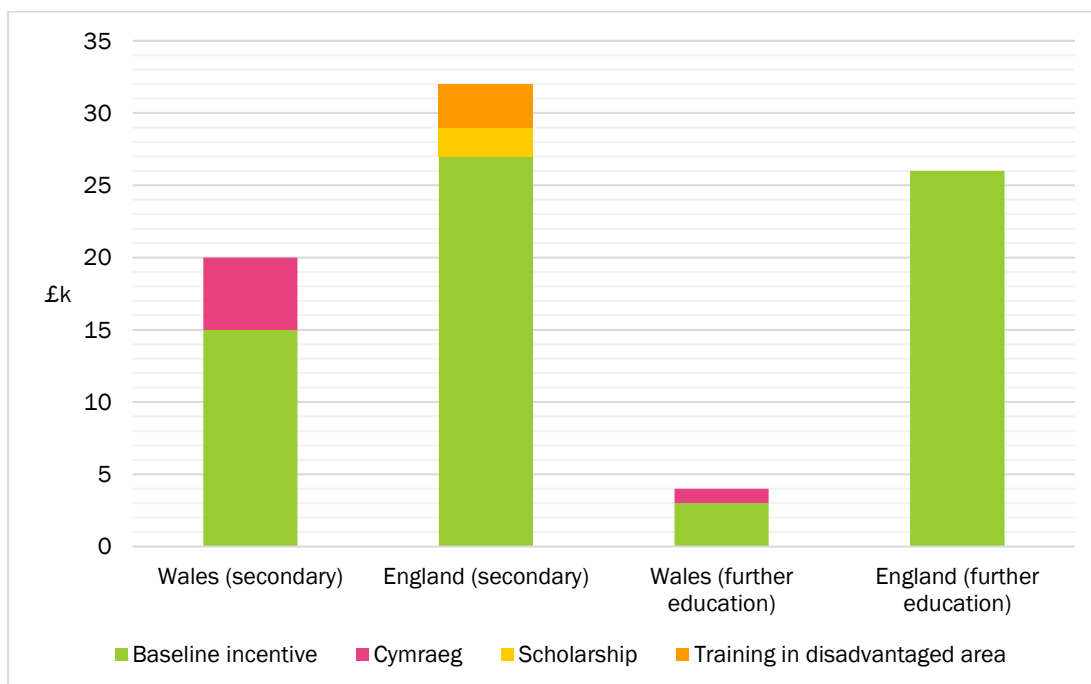
preference is often influenced by teacher bias and this can influence future engagement with Welsh in relation to STEM-related study/work”.⁴⁰

Table 1: ITE physics students and language route (rounded to nearest 5), 2010/11 to 2020/21⁴¹

Language	Year											
	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	
Welsh	5	5	5	5	*	5	*	*	5	*	5	
English	35	35	30	25	25	20	15	15	15	10	35	

- 2.6 In line with Cymraeg 2050, the Welsh Government recently issued a 10-year plan for the Welsh-medium education workforce.^{42 43} The plan and associated data analysis acknowledged the shortage and the difficulty Welsh-medium schools face when recruiting science teachers.⁴⁴ The IOP supports the plan and its actions and welcomes the emphasis on longer-term planning. **Any such planning will require consistent funding to offer the best chance of success.**
- 2.6 The discrepancy between Wales and England for initial teacher education (ITE) incentives is pronounced. The financial incentive to train as a secondary physics teacher in Wales is £15,000, extended to £20,000 for those opting for Welsh-medium.^{45 46} In England, the offer is soon to become £27,000, rising to £29,000 for ‘high-calibre’ applicants, with a 3,000 incentive for those choosing to train in the most disadvantaged areas (a separate veterans offer is worth £40,000).⁴⁷ For those opting for further education teaching, the incentive is £3,000 in Wales, extended by £1,000 for those opting for Welsh-medium.⁴⁸ In England, the offer is £26,000.⁴⁹

Graph 6: ITE incentives for physics in Wales and England



⁴⁰ Thomas, E. and Parry, N. M. 2021. [Provision for Welsh-medium STEM subjects: an exploratory study](#). Bangor: Bangor University.
⁴¹ StatsWales. 2022. [First years on ITE courses in Wales by subject and year](#). Cardiff: Welsh Government.
⁴² Welsh Government. 2021. [Cymraeg 2050: work programme 2021 to 2026](#). Cardiff: Welsh Government.
⁴³ Welsh Government. 2022. [Welsh in education workforce plan](#). Cardiff: Welsh Government.
⁴⁴ Welsh Government. 2022. [Welsh in education workforce plan: data analysis](#). Cardiff: Welsh Government.
⁴⁵ Welsh Government. 2022. [Initial Teacher Education \(ITE\) Priority Subject Incentive: guidance for students 2022 to 2023](#). Cardiff: Welsh Government.
⁴⁶ Welsh Government. 2022. [Iaith Athrawon Yfory Incentive Scheme: guidance for students](#). Cardiff: Welsh Government.
⁴⁷ UK Government. 2022. [Boost for teacher training bursaries by up to £10,000 a year](#). London: UK Government.
⁴⁸ Welsh Government. 2022. [Teacher training incentives: PGCE \(FE\) students](#). Cardiff: Welsh Government.
⁴⁹ UK Government. 2022. [FE ITE bursaries funding manual: 2022 to 2023 academic year](#). London: UK Government.

- 2.7 Research for the Welsh Government was inconclusive as to whether funding incentives drive recruitment substantially, stating “further research is required to develop an understanding of this issue”.⁵⁰ But it did note “cases where young people were attracted to teach in England because of the incentive difference with Wales [which] raises the question of how prevalent this intention is and how likely it is that those who move to England intend to do so for a fixed period (with a longer-term intention to return to Wales)”.⁵¹ Welsh Government’s aforementioned Welsh-medium research advocated replacing the £5,000 language incentive with £10,000 delivered in instalments across five years (thereby incentivising retention).⁵²
- 2.8 Despite the recommendation to Welsh Government, the IOP is not aware of any further research taking place. However, the IOP can point to findings from England that cash incentives play a role as part of a wider package.⁵³ Concerningly, that research warned “physics is highly unlikely to meet its recruitment target under any package of measures [which] should prompt debate about how the education system can realistically and sustainably staff science departments in schools with a range of specialists”.⁵⁴ Also citing to a Gatsby paper, proposals included:⁵⁵
- Considering the range of training courses offered.
 - Extra subject specialism training for physics (both trainees and existing teachers).
 - Ensuring physics-trained teachers are teaching physics rather than other subjects.
 - Addressing relatively low numbers of students studying physics post-16.
- 2.9 Further studies on cross-border pulls for teacher trainees would be welcome. In lieu of the research, data is available on first year ITE physics students from Wales and location of study.⁵⁶ Between 2010/11 and 2020/21, there were 355 first year ITE physics students from Wales; of that total cohort, 120 (33.8%) went to train in England. *A third of potential physics teachers in Wales have gone to train in England and, with increasing curricular divergence, returning will be difficult.*
- 2.10 It is also worth noting the funding that England’s Department for Education has instituted for teaching internships in chemistry, computing, languages, maths and physics.⁵⁷ The funding is available for school-led partnerships to provide teaching internships for undergraduates studying for a degree in STEM-related subjects and languages. Such schemes already exist in Wales, with Swansea University running an undergraduate module to the same effect. However, schemes in Wales are not in receipt of dedicated funding from the Welsh Government.
- 2.11 ***Not all the above are Welsh Government budgetary matters. However, bursaries, specialist training (see section 2.1 and 2.2) and post-16 participation (see section 2.13 onwards) are. One alone is unlikely to close the teaching gap, which will take many years to close, so should be funded together on a multi-annual basis.***
- 2.13 More broadly, physics suffers from underrepresentation, with a range of communities underserved. Accordingly, the IOP has four policy asks for pre-16 education:
- Revising teachers’ professional standards with an expectation teachers will address injustice in professional practice and actively dismantle discrimination.
 - Ensuring teachers are trained to teach inclusively and tackle injustice, both via initial teacher education and continuing professional learning and development.
 - Directing Estyn to emphasise inclusive teaching and efforts to address injustice.

⁵⁰ Beaufort Research and National Foundation for Educational Research. 2019. [Research Study on the Attractiveness of Teaching and Retention of Teachers](#). Cardiff: Welsh Government.

⁵¹ Ibid.

⁵² Bryer, N. and Duggan, B. 2019. [Evaluation of Welsh-Medium Provision in Initial Teacher Education](#). Cardiff: Welsh Government.

⁵³ Worth, J., Tang, S. and Galvis, M. A. 2022. [Assessing the impact of pay and financial incentives in improving shortage subject teacher supply](#). Slough: National Foundation for Educational Research.

⁵⁴ Ibid.

⁵⁵ Sims, S. 2019. [Increasing the quantity and quality of science teachers in schools: Eight evidence-based principles](#). London: Gatsby.

⁵⁶ StatsWales. 2022. [First Years from Wales on ITE courses in the UK by subject and country of study](#). Cardiff: Welsh Government.

⁵⁷ UK Government. 2022. [Teaching internships programme](#). London: UK Government.

- Mandating whole-school approaches that are informed by ongoing data and evidence collection including students' choices.

2.14 The Welsh Government is making good progress on the above, with many issues acknowledged via the working group on Black, Asian and Minority Ethnic Communities, Contributions and Cynefin in the New Curriculum. The Welsh Government accepted all the group's recommendations, which the IOP welcomes.⁵⁸ ***With regards to training, the working group advocated "ringfenced funding within annual professional learning allocations" and it would be positive to see an amount in the draft budget.***⁵⁹

2.15 In light of the above, the IOP would welcome uplifts to the following budget lines (or uplifts indicated previously).

Table 2: Relevant budget lines from 2022–23 budget documents⁶⁰

Ministry	Budget expenditure line	2021–22 (£m)	2022–23 (£m)	2023–24 indicative (£m)	2024–25 indicative (£m)
Education and the Welsh Language	Additional learning needs	9.7	21.1	21.1	21.1
	Curriculum and assessment	7.8	11.0	11.0	11.0
	Curriculum reform	14.1	19.4	19.1	15.7
	Pupil development grant	113.5	133.5	133.5	133.5
	School improvement grant	134.2	171.2	163.2	154.2
	School standards support	1.5	2.8	4.1	5.2
	Teacher development and support	38.9	54.7	55.2	57.2
	Vulnerable groups	1.2	1.2	1.2	1.2
	Welsh in education	13.5	17.8	20.1	24.3
	Welsh language	21.1	22.4	22.4	22.4
Whole-school approach	2.0	5.2	7.4	9.6	
		357.5	460.3	458.3	433

⁵⁸ Institute of Physics. 2022. [IOP Wales welcomes progress on race equality recommendations](#). London: Institute of Physics.

⁵⁹ Welsh Government. 2021. [Black, Asian and Minority Ethnic Communities, Contributions and Cynefin in the New Curriculum Working Group](#). Cardiff: Welsh Government.

⁶⁰ Welsh Government. 2022. [Welsh Government budgets](#). Cardiff: Welsh Government.

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



Llywodraeth Cymru
Welsh Government

Paul Davies MS
Chair
Economy, Trade and Rural Affairs Committee
Welsh Parliament
Cardiff
CF99 1SN

Paul.Davies@senedd.wales

7 December 2022

Dear Paul,

Further to our scrutiny session on the Agriculture (Wales) Bill at the Committee session on the 16th of November. I promised to provide further information as set out below.

Glue Traps.

I committed to providing a note on the use of glue traps in public settings in Wales, including information on schools, hospitals and other healthcare settings, Local Authorities, and NHS contractors.

It is undeniable rodents can pose a serious public health risk in spaces which humans occupy. It is also reasonable to assume there are situations requiring a rapid solution such as, in hospitals, around the young and otherwise vulnerable, and in any form of food service.

Animal welfare is a priority for the Welsh Government and even in the hands of professional pest controllers, glue traps cannot be considered a humane method of capturing vertebrates. Adequate, efficient, and more humane forms of rodent control are available and in regular use in Wales. Such methods reduce the risk of capture or death of non-target animals as well as improving animal welfare standards. Pest control operators in the UK with a self-imposed ban on the use of glue traps are able to capture problem rodents in all circumstances. That experience is echoed abroad in countries where glue boards have been banned and alternative control methods adopted quickly.

A targeted consultation with stakeholders took place between November 2021 – January 2022 and included trade representatives of the pest control industry, as well as Local Authorities in Wales who handle pest control problems in various public health situations. In the written evidence to the consultation, the industry themselves were unable to determine the number of incidents when glue traps are used by their members specifically in Wales. The Local Authorities in Wales were able to make a more specific and accurate determination of the level of glue trap use.

As can be seen in the consultation [summary](#) document, their use is extremely limited. No Local Authority stated that glue traps were an essential method of rodent control.

DEFRA are currently designing a licensing system and are having issues, most notably with the fact there is no Standard Occupational Classification (SOC) Code for pest controllers and no qualifications or licence is needed to work in that type of role. Therefore, determining a legitimate application for a licence to use a glue trap would prove very problematic, rendering the definition of who is exempt in the regulations very difficult.

The Scottish Government are also seeking to bring forward legislation to ban glue traps (without exception) in their current Parliamentary term. Their intention is to ban the sale as well as the use of glue traps.

The Common Land Working Group.

During the session, I shared a Working Group on common land has been formed, which provoked questions as to its membership.

Invitations have been issued to a range of stakeholders with an interest and expertise in administering agricultural programmes on common land. This includes the farming unions, and some individual commons associations, to ensure we have input direct from the graziers themselves.

The Group will initially consider the administrative elements of working with individual graziers and groups of graziers with grazing rights, and who depend on common land. A more detailed remit will be developed.

Additional stakeholders will be invited as the Working Group progresses, if we find that not all relevant interests are being represented.

The purpose of these Working Groups is to explore the developing SFS proposals and the relationship with common land, to insure the SFS is workable and accessible. The output from these working groups will be used to refine our SFS proposals in time for the final scheme consultation in 2023.

Regards,

A handwritten signature in black ink that reads "Lesley Griffiths". The signature is written in a cursive style with a large, sweeping 'L' and 'G'.

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

**Legislation, Justice and
Constitution Committee**

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

7 December 2022

Dear Lesley

The Organic Production (Amendment) Regulations (No. 2) 2022

Thank you for your letter of 25 November informing my Committee of your decision to provide consent for the UK Government to make the above Regulations yesterday, 6 December.

We considered your letter at our meeting on 28 November. We note the reasons you provide for giving consent and acknowledge your explanation of the role the Organics Four Nations Working Group played in developing the Regulations.

In particular, we note the following reason you provided for giving consent for these Great Britain-wide regulations to be made:

"Organic stakeholders have often pressed their desire for consistent regulation across Great Britain when it comes to organic standards, because of cross-border supply chains. It is in the interest of Wales to ensure these regulations be consistent and come into force at the same time across Great Britain."

However, you also state that new organic regulations will be developed, and "this substantive update to organic policy will be made in Welsh legislation".

To us, these statements do not appear to be compatible: if organics stakeholders require consistent regulation across Great Britain, and future organic regulations made by the Welsh Ministers may enable consistent regulation, it is unclear why the currently proposed regulations cannot also be made by the Welsh Ministers.

In this regard, you also said: "If Wales were to use a Wales-only SI to extend these derogations, it may not be possible to have them in place before the current derogation expires". As part of the Organics Four Nations Working Group, it is not clear why you were unaware of the need to extend the derogations in sufficient time to enable Wales-only regulations to be prepared and laid before the Senedd, in parallel with regulations laid before the UK Parliament. Such parallel regulations could have come into force on the same date, avoiding any inconsistency across Great Britain.

In light of the above, please can you therefore provide some further explanation as to why you could not prepare and lay Wales-only regulations in parallel with regulations prepared by Defra.

Finally, please you can explain why it took four weeks to notify us of these Regulations (and your decision to consent to them) once a formal request was received on 24 October, and why you were not in a position to notify us of your intention to consent much earlier, given that, presumably, the need to make these Regulations was being discussed much earlier in the Working Group?

I would be grateful to receive a response by 5 January 2023.

I am copying this letter to the Chair of the Economy, Trade and Rural Affairs Committee.

Yours sincerely,

Huw Irranca-Davies

Huw Irranca-Davies

Chair

**Public Accounts and Public
Administration Committee**

7 December 2022

Dear Chair

Public Accounts and Public Administration Committee Inquiry into Public Appointments

The Public Accounts and Public Administration Committee is undertaking an Inquiry into Public Appointments. Evidence received from the Committee's consultation on the scrutiny of public administration in autumn 2021 recommended that an inquiry be conducted in this area. It was considered to be an issue that had been 'under-examined' since the establishment of the Senedd.

Our agreed Terms of the Reference for the inquiry are detailed in Annex A. However, we are aware that concerns regarding the public appointments process may extend beyond those terms of reference. We therefore welcome the views and experiences of your committees on the matters listed and any other issues that you feel are relevant to our work.

I look forward to hearing from you and kindly ask for responses by Friday 27 January 2023.

Thank You.

Kind Regards,



Mark Isherwood MS
Committee Chair

Croesewir gohebiaeth yn Gymraeg neu Saesneg.
We welcome correspondence in Welsh or English.

Annex A

The Committee is undertaking an inquiry into the Welsh Government's approach to the public appointments process, including where this could be improved to increase the diversity of candidates for public appointments made by Welsh Ministers. Issues to be considered include the following:

- The role of the Public Bodies Unit and the effectiveness of its relationship with Public Bodies' Boards in terms of ensuring good governance and effective public appointment arrangements. This includes any ongoing support for board members.
- The views of those corporate bodies that receive public appointments on the public appointments process;
- The role the Commissioner for Public Appointments.
- What are the main barriers to increasing the diversity of candidates for public appointments in Wales? How do these vary by factors including:
 - Age
 - Sex
 - Ethnicity
 - Disability
- How effective are current approaches being taken by the Welsh Government to encourage and increase the diversity of candidates?
- How can the public appointments process be improved to achieve this?
- How can the Welsh Government create a more transparent and open public appointments process?
- Are there examples of best practice elsewhere in the UK and internationally that Wales should learn from?



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref

Peredur Owen Griffiths MS
Chair of the Finance Committee

7 December 2022

Dear Peredur,

Scrutiny of the financial implications of Bills

I am writing in response to your letter of 16 November 2022 regarding the scrutiny of the financial implications of Government Bills.

Your letter highlights concern that the Welsh Government has moved away from practice in the Fifth Senedd where Welsh Ministers provided written responses to Stage 1 reports in advance of the General Principles debate and Financial Resolution.

It is during the Stage 1 debate that Ministers provide an explanation of the Government's response to the recommendations in each Committee report and in most, but not all, circumstances have provided further detail through a formal letter.

While there were occasions during the Fifth Senedd where the Government responses were issued before or on the date of the General Principles debate, this was not routine practice for all Bills. In fact, over half of responses were issued in writing after the debate or provided verbally during the debate.

Ministers endeavour to respond to the Committees as soon as reasonably possible but it is not always practical for Welsh Ministers to do this prior to the Stage 1 debate for every Bill, so in practice these written responses may be provided after the debate has taken place.

There may be circumstances where more time is required to consider the implications of the recommendations or where the detail needed to provide an informed response is not available in advance of the Stage 1 debate. In addition, the legislation may be novel and while we aim to provide best estimates of the likely costs, there are situations where multiple varying factors mean precise costings are not achievable until the provision is

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

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

tested and assessed. Nonetheless, we will continue to inform the Finance Committee of the financial information relating to each Bill as they go through the various Senedd scrutiny stages.

In addition, Welsh Ministers will continue the practice established during the Fifth Senedd of writing to the subject and Finance Committees in advance of Stage 3 proceedings of a Bill if significant changes have been made to the Regulatory Impact Assessment post Stage 2.

Your letter along with this reply has been copied to all Welsh Ministers. This reply is also issued to the Business Committee and the Chairs of Policy Committees.

A handwritten signature in black ink that reads "Mark Drakeford". The signature is written in a cursive, slightly slanted style.

MARK DRAKEFORD



Llywodraeth Cymru
Welsh Government

Huw Irranca-Davies
Chair
Legislation, Justice and Constitution Committee
Welsh Parliament
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7 December 2022

Dear Huw,

Thank you for your letter of 25 November regarding the committee evidence session on Monday 21 November for the Agriculture (Wales) Bill.

I have carefully considered the committee's further questions and in order to assist considerations of the Bill I have provided the information in the annex attached to this letter.

Regards,

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

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

Annex: Response to Legislation, Justice and Constitution Committee’s further evidence questions on the Agriculture (Wales) Bill – Dec 22

1. Please could you identify, for every regulation-making power in the Bill, when you first intend to use that power to make the relevant regulations?

Due to some of the complexities of the provisions, policy decisions were taken during the drafting of the Bill that some provisions would be automatically commenced and some were to be commenced by Order.

We intend to commence them by Order two months after Royal Assent (along with most of the automatic provisions), so there will be no difference to timing, only the vehicle in which commencement occurs.

The provisions in respect of Sustainable Land Management ("SLM"), Welsh Ministers’ Power to Provide Support, Powers to Modify Legislation Relating to Financial and Other Support, Agricultural Tenancies and Wildlife come into force two months after the day on which the Bill receives Royal Assent.

All other provisions set out in the Bill (such as collection and sharing of data) will come into force by way of separate commencement Order.

Certain provisions in Part 4 relating to Forestry come into force the day after the date on which the Bill receives Royal Assent for the purposes of making regulations under section 32 of the 1967 Act. The other forestry provisions will come into force by way of separate commencement Order.

There are a number of regulation-making powers within the Bill which are outlined below:

Part 1 Sustainable Land Management:

Section 6(10) – power to amend section 6(9), which defines the “reporting period” for SLM reports. The reporting period for the first report ends on 31 December 2025 and for subsequent reports are successive periods of five years. There are no plans in place to amend the SLM reporting period. The power may be used, for example, to align with the power to provide support Impact Report (section 13) should the respective reporting periods fall out of synchronisation.

Part 2 Chapter 1: Power to Provide Support provisions

Section 8(4) – power to amending the list of purposes. There are no plans currently to make any amendments to the list of purposes. However, following the evaluation of the support provided, it may be identified that some, or all of the purposes are no longer fit for purpose. If so, then, if required, the regulation-making power to add a purpose, remove a purpose or alter the description of a purpose from the list, could be used.

Section 10(1) – Publication of information about support. No date has been set for when this power will be first used.

Section 11(1) – power to make provision about checking eligibility for support (and other matters). No date has been set for when this power will be first used.

Section 13(7) – Power to amend the reporting period for the Impact Report at section 13(6). There are no plans in place to utilise this power. The Impact Report provisions already provide for an extended first reporting period which ends on 31 December 2029 and thereafter every five years to align with the SLM reporting period. They would be expected to be used, for example, should the alignment with the SLM report fall out of synchronisation.

Part 2 Chapter 2: powers to modify legislation relating to financial and other support

As I have set out in question 2, we do not intend to make changes until we can demonstrate a new system is adequately designed, we have undertaken the relevant impact assessments and we are confident it is administratively practicable.

For the power to modify legislation relating to support for an apiculture scheme which is part of retained EU law. There are no plans currently to modify this legislation.

Part 2 Chapter 3: Intervention in Agricultural Markets

Sections 20 and 21 – provisions to declare exceptional market conditions and provide financial support to agricultural producers in such conditions. No date has been set for when these powers will first be used.

Section 22 – provision to modify retained EU legislation relating to public market intervention and private storage aid.

The Welsh Ministers are planning to amend these provisions, due to the circumstances explained in the answer to Question 18. The changes planned to retained EU legislation governing public market intervention and private storage aid are due to use powers in the Agriculture Act 2020, as the provisions in the Agriculture (Wales) Bill will not be in force for when they are due to be made. No date has been set for when the powers in the Agriculture (Wales) Bill will first be used.

Part 3 Chapter 1: Collection and Sharing of Data:

Section 24(2) – Provision of information relating to Agri-food Supply. No date has been set for when this power will be used.

Section 26(2) – Provision of information relating to relevant activities. No date has been set for when this power will first be used.

Section 31(1) – Provision for enforcement of information requirements. Again no date has been set for the first time this power will be used, however it is expected that its use will align with the regulation-making powers at sections 24(2) and 26(2).

Part 3 Chapter 2: Marketing Standards

Sections 32(1) and 32(6) – provision about the standards with which the agricultural products listed in Schedule 1 must conform and provision to amend Schedule 1. No date has been set for when these powers will first be used.

Part 3 Chapter 3: Carcass Classification

Section 33(1) - provision about the classification, identification and presentation of bovine, pig and sheep carcasses. No date has been set for when these powers will first be used. We are planning to create sheep carcass classification regulations, but using powers in the Agriculture Act 2020, as powers under this Bill will not be in force when these regulations are expected to be laid.

Part 6: General

Section 50 – Provides the power to amend the meaning of “agriculture” (section 48) and “ancillary activity” (section 49). There are no plans to amend these definitions at present. The power to amend has been developed alongside an exhaustive definition of Agriculture and Ancillary Activities, and is there to ensure that the Bill, and the powers and functions within, are able to adapt to reflect any changes to agricultural practices as a result of land management or technological changes in the future and remain in pace with the sector.

2. Please can you provide further information about why you do not have any plans to sunset either the BPS or the CAP continuation powers, particularly when it is intended that the Sustainable Farming Scheme will be the main source of funding for farmers in future and the BPS will be phased out over the transition period.

I have announced my intention to continue with the Basic Payment Scheme to 2023 to provide support for farmers as we work together to transition to the Sustainable Farming Scheme.

We will not make changes until we can demonstrate a new system is adequately designed, we have undertaken the relevant impact assessments and we are confident it is administratively practicable.

Evidence being gathered through Co-design will feed into a wider evidence base (alongside other evidence workstreams) and help shape future scheme design. I will consult on the final scheme and how we transition in 2023.

A final decision on the proposals and, therefore, regulations which form the scheme will be made after the consultation in 2023.

3. Please can you identify what assessment you have made of the potential impact of UKIMA on the effectiveness of the provisions of the Bill should they be passed by the Senedd and become law?

Wales will be able to make its own standards with which the agricultural products listed in schedule 1 to the UK Internal Market Act must conform when they are marketed in Wales and the classification, identification and presentation of bovine, pig and sheep carcasses.

Likewise, England, Scotland and Northern Ireland will have the power to make their own provisions in these subject matters.

As is the case in respect of the Environmental Protection (Single-Use Plastics Products) (Wales) Bill, we are clear that the Senedd can legislate free from the requirements of UKIMA.

Therefore, the standards set in respect of agricultural products marketed in Wales will apply regardless of where in the UK those products come from.

The Welsh Government has made its position on UKIMA very clear throughout the passage of the Environmental Protection (Single-Use Plastics Products) (Wales) Bill. This remains our position – In devolved areas, the Senedd continues to be able to legislate free from the requirements of UKIMA.

4. Section 23 of the Bill provides Agricultural Holdings Act tenants with a route to dispute resolution. Is this sufficient to ensure that tenants can access agricultural support provided under the Bill? Have you considered any alternative, or additional, provision to promote access?

Tenanted land makes up a significant portion of farmland in Wales and making sure tenants have fair access to the Sustainable Farming Scheme (SFS) and future support is important for us to deliver our outcomes.

The provision, in combination with careful scheme design, aims to ensure fair access for tenant farmers to agricultural support under the Bill.

The universal actions are being designed with the aim that they can be delivered by farmers on tenancy agreements. These actions will help farms become more sustainable. They should be within reach of most farmers and can be integrated into current farming practice. The intention being to provide the building blocks to enable the farmer to go on and do more by choosing optional actions and receiving additional payments.

We want to offer as much flexibility as practicable for farmers to carry out the universal actions in a way which works best for their farm, while seeking to achieve the purposes for which support may be given, and which contributes towards the SLM objectives. We recognise some farms may not be able to deliver the full range of universal actions from the outset (for example, because of their farm type, topography, or contracts). Exemptions may therefore be in place, but our starting position is that farms in the SFS should undertake all universal actions.

We understand some tenants may find their ability to take up optional actions constrained by the terms of their tenancy agreement. We are exploring how landlords and tenants could collaborate to enter mutually beneficial agreements, similar to the examples included in the Rock Review.

We have established a tenancy working group to work with us to explore barriers tenant farmers may face to participation in the SFS.

The provision in the Bill introduces a route to dispute resolution for 1986 Act tenancies. We did consider whether similar provisions should be inserted into the 1995 Act, however it already includes a general dispute resolution procedure, making additional procedures unnecessary.

5. Accessibility Section 29 of the Bill requires the Welsh Ministers to “publish” a draft requirement under sections 24(1) or 26(1). Where will this be published? Will the lack of precision in relation to the publication of this information impair accessibility?

In line with all consultations, the requirements and privacy notices for data collection and sharing will be published on the Welsh Government website and will be available bilingually.

6. In addition to a range of subordinate legislation making powers, the Bill amends a number of older pieces of (English language) legislation, such as the Forestry Act 1967. Did you consider making provision on the face of the Bill, rather than amending other legislation, so as to enable the provisions to be fully bilingual and to improve the accessibility of the law for the people of Wales?

The Bill amends some well-established statutory regimes, such as those set out in the Forestry Act 1967 and the Wildlife and Countryside Act 1981.

Achieving the policy by way of freestanding provisions in a Senedd Bill would have resulted in inaccessibility issues and undesirable complexity.

If what is being suggested is that the Bill could have been used to remove all Welsh provision from the 1967 Act, and re-state it subject to any necessary revisions, then this would have been a significant piece of work and faced with that and refocussing the Bill at the expense of agricultural reforms, or making the amendments that I consider necessary to implement my important policies in this area, I chose the route set out in the Bill.

7. How are the powers to allow the Natural Resources Body for Wales (NRW) to amend, suspend or revoke a tree felling licence it has issued, appropriate and proportionate? How will Welsh Government ensure that NRW are using these powers appropriately?

Officials have issued non-statutory guidance to NRW on how these powers are to be implemented to ensure appropriate and proportionate use.

NRW have developed a high level approaches paper reflecting this guidance. These documents have been published on the Welsh Government website as part of the Statement of Policy Intent which supports the Bill.

NRW are now developing full internal and external guidance to ensure a consistent and proportionate approach to implementing these powers. These will be published to align with commencement of the provisions.

My officials will conduct a post implementation review of the legislation within 3 years of commencement of amendments to the Forestry Act 1967.

We will work with NRW and stakeholders to agree a collection of relevant data following commencement in order to monitor the impact of the forestry provision within the Bill.

8. Do the Welsh Ministers have sufficient powers to intervene in the event that NRW were found not to be using their powers appropriately?

Welsh Government has powers to give a direction to NRW in respect of the implementation of these powers if necessary.

9. Section 40 amends section 17 of the Forestry Act 1967 (penalty for felling without licence) to increase the maximum fine for illegal felling from a level 4 fine (£2,500) to a level 5 fine (unlimited). In your view, is this increase in monetary penalty proportionate and justified?

As the Forestry Act 1967 currently stands, a person can be fined less for illegal felling than for being in breach of a felling licence condition.

This anomaly is addressed by increasing the monetary penalty for illegal felling in line with the existing enforcement penalty for non-compliance with felling conditions. Leaving this anomaly unresolved would potentially undermine the new powers set out in the forestry provision.

It also gives the Courts flexibility to impose a higher fine in the event of a major incident and should also serve as a better deterrent for illegal felling.

This is in line with England, where the limit on these fines was removed by the 2021 Environment Act Schedule 16 para 2. (not yet commenced).

10. What safeguards are provided in the Bill to protect individuals' personal data?

The Bill's data collection provisions are compliant with the UK GDPR and overarching data protection legislation.

The Bill's data sharing provisions are very detailed and include several limitations and safeguards, such as the purposes for which data can be collected and how the data is to be processed.

Data can only be collected in furtherance of one or more of a specific and limited list of purposes which are set out in the Bill, such as helping to increase productivity, promoting transparency or fairness in agri-food supply chains or monitoring supply sources for food.

Furthermore, any regulations under the Bill made by the Welsh Ministers introducing obligations to provide information can only be made using the affirmative Senedd procedure, which provides significant scrutiny powers to Senedd members in relation to the information being collected.

There are further safeguards in place. As per our statutory obligation to consult with the Information Commissioners Office (ICO), as the UK Regulator (Article 36(4) of the General Data Protection Regulation) when drafting legislation which impacts upon the processing of personal data, my officials have consulted with the ICO on the data provisions within the Bill.

This is an area of ongoing engagement on all aspects of data collection and data protection regarding the Bill. The ICO ensures the provisions are compliant with the data protection principles enshrined in the UK GDPR and the Data Protection Act 2018. Consequently, the Welsh Government cannot put in place legislation which overrides these principles and which does not respect UK GDPR.

11. Could you explain the measures that the Welsh Government will put in place to ensure that individuals clearly understand how their information will be used and processed?

In advance of any data being collected, we will publish our intent on the type of data to be collected, the purpose for the collection, how the data will be collected and used, as well as the frequency for collecting data under the requirement.

The Bill requires the Welsh Ministers to have published their proposed draft requirements for at least four weeks, for comment, prior to information requirements being introduced. These requirements must set out the purposes for which the information will be processed and the processing of the information cannot breach the set requirements.

Individuals will be provided with clear privacy information about how their data will be used by Welsh Government and any partners.

12. In line with UK GDPR and other data protection legislation, will individuals, including farmers, be required to consent to the processing of their data?

Where data is collected from farmers on a voluntary basis, for example, the Annual Farm Business Survey, their consent is required to the processing of the data.

The Bill also contains statutory mechanisms which can require specific types of data to be provided by farmers for limited and particular purposes and whilst farmers' consent will not be required where these mechanisms are used, farmers will be able to influence those requirements by making representations themselves, via stakeholder representatives or Senedd members about the nature, effect and practical impact of the proposed requirements.

As previously stated, individuals including farmers will be provided with clear privacy information about how their data will be used by Welsh Government and any partners.

13. We note that it is not the Welsh Government's policy nor wider intent to sell any data collected in accordance with Chapter 1 of Part 3 of the Bill to third parties. As such, would you consider amending the Bill to expressly prohibit the sale of such data?

Whilst there is no provision within the Bill which specifically prevents the sale of collected information to third parties, it is not the policy nor wider intent of the Welsh Government to sell data onto third parties, therefore I do not think it is necessary to expressly prohibit the selling of data.

Under **UK GDPR it is only necessary to state what will be done with any data**, and, therefore, it is not a requirement to state what will not be done. We only state what can be done with the data within the Bill and accompanying regulations.

Including a provision to expressly prohibit the selling of data, would result in also needing to consider implementing further provisions to address **all** areas for which data will not be used.

14. The Bill would grant powers to the Welsh Ministers to modify retained EU law. Does the Welsh Government intend to preserve retained EU law in the fields covered by this Bill using powers under the Retained EU Law Bill?

The Welsh Government is considering how it will respond to the situation, in effect, imposed by the UK Government on reviewing REUL. In general our position is that retained EU law, like EU law before it, works well and, consequently, beyond gradually amending the law as appropriate over time as with any body of law, we had no intention to repeal, revoke or amend REUL to an arbitrary deadline on ideological grounds.

15. Could the Welsh Government preserve retained EU law in the fields covered by this Bill, or is it reliant on the UK Government to also preserve relevant retained EU law, in whole or in part, to replicate the situation as it currently stands?

As currently drafted the REUL Bill has powers which the Welsh Government could exercise to preserve REUL in areas of devolved competence. The Welsh Government is considering how it will respond to this Bill and will work with the UK Government to identify all devolved REUL including those instruments made by the UK Government and Parliament.

16. What discussions have taken place with other UK governments in relation to retained EU law in the fields covered by this Bill, for example, is the Welsh Government aware of any UK Government plans for this retained EU law?

Some UK Government departments (including DEFRA) have started to share their initial interpretation of the reserved/ devolved split of REUL with Welsh Government officials and they are considering how to respond and what further information is required. This work is dynamic as new REUL instruments are being identified as work progresses.

17. How might such plans affect powers granted to Welsh Ministers by this Bill?

We will continue to engage and in parallel are considering how to respond in the coming months as the new UK Government's position on the Bill is understood.

18. Under the Retained EU Law Bill, the retained EU law in the fields covered by this Bill could automatically expire at the end of 2023. How might that impact the ability of the Welsh Government to deliver the objectives of

this Bill (specifically in relation to public market intervention or aid for private storage)?

As I have said previously, we will continue to engage and in parallel are considering how to respond in the coming months as the new UK Government's position on the Bill is understood. Once we have more clarity, we will then be in a better position to assess how the REUL Bill will impact on public intervention and private storage aid.

We are planning to end Public Intervention and reform Private Storage Aid schemes in Welsh legislation next year.

Public Intervention schemes are an inefficient form of market support and have high associated costs, so we are planning to end their use because they represent poor value for money.

We are also planning to remove the requirements for operators to lodge a security for Private Storage Aid contracts and for the Rural Payments Agency to conduct interim inspections of products in such schemes.

Peredur Owen Griffiths MS
Chair
Finance Committee

Llywodraeth Cymru
Welsh Government

08 December 2022

Dear Peredur

Thank you for the opportunity to discuss the Agriculture (Wales) Bill at the Committee session on 9th November 2022.

I committed to providing Committee Members with further information as set out below:

Exceptional market conditions.

A question was raised concerning the cost of past use of powers to declare exceptional market conditions, when examples of previous interventions were provided such as Foot and Mouth and BSE. To clarify, farmers were compensated under the Animal Health Act 1981 for these incidents, rather than powers for exceptional market conditions.

In the period 2011-2021, two crisis intervention schemes were launched, both in support of the dairy sector. One came in the form of support across the EU in 2016, which was in response to hardship caused by the end of milk quotas, a Russian ban on EU food imports and low oil prices.

It should be noted this scheme may not directly reflect the sort of scheme possible under the proposed powers for exceptional market conditions in the Agriculture (Wales) Bill, as it was proposed as a wider set of EU support to the dairy sector. Under the 2016 scheme, €30,195,996 was allocated to the UK under this crisis intervention measure. At the time, officials estimated the support to Wales would be approximately £3.2 million. Adjusted for inflation, in 2022 this would be worth £4 million.

In 2020, a scheme was launched to support the dairy sector when the Covid-19 pandemic forced the closure of hospitality establishments. While this scheme used powers under the Government of Wales Act 2006, they were used in a similar way to how the proposed powers could be used. Under this scheme, £1,018,500 was paid to Welsh dairy farmers, which when adjusted for inflation, is equivalent to £1,182,000 in 2022 prices.

Schemes and their financial impact.

I committed to providing additional information on the monitoring and reporting requirements within the Bill, in relation to the schemes that may operate under the power to provide support and their financial impact. The Bill provides for three types of reporting, each of which is further outlined below. Firstly, sustainable land management (SLM) reports, including the setting of targets and indicators, secondly the Annual Report, and thirdly the Impact Report, the latter two reports falling under the power to provide support provisions. The Regulatory Impact Assessment sets out indicative costs of a future scheme operating under the power to provide support which contributes to the achievement of SLM and wider Welsh Government targets.

SLM monitoring and reporting

The SLM monitoring and reporting provisions (sections 4 to 7) seek to ensure effective implementation and appropriate accountability and engagement with the Senedd and stakeholders. They provide the ability to assess policy effectiveness and will form an important and developing evidence base for ongoing policy development.

The Bill requires the Welsh Ministers to prepare a statement setting out SLM indicators to measure progress towards achieving the SLM objectives, and targets in relation to those indicators (section 4). These will be a key part in the monitoring and reporting of the SLM provisions and will help guide future policy decisions as to what is working for the sector and what needs changing.

Indicators and targets can provide specific and measurable ways of recording progress against the SLM objectives. Setting targets provide a means to improve accountability, for example, by improving transparency. Before setting indicators and targets, the Welsh Ministers must consult, including the Future Generations Commissioner, and are required to have regard to certain matters, including the most recent Impact Report (if any) published under section 13 of the Bill (section 5).

The first statement of indicators and targets must be published and laid before the Senedd no later than 31 December 2025. This date has been chosen to ensure sufficient time for due consideration and preparation of the indicators and targets, including consultation.

The Welsh Ministers are also required to report periodically on the progress made against the SLM objectives, through the exercise of the functions to which the SLM duty applies (section 6).

The SLM reports must set out the Welsh Ministers' assessment of the cumulative progress made, since the SLM duty came into force, towards achieving the SLM objectives and the progress made, during the reporting period, towards achieving those objectives.

The first SLM reporting period ends on 31 December 2025, and subsequent reporting periods are for successive periods of five years. This is to align the reporting with the proposed contract length for the Sustainable Farming Scheme. Provision is also made provide for the Welsh Ministers to change the reporting period by regulations. SLM reports must be published and laid before the Senedd no later than 12 months after the end of each reporting period.

The Welsh Ministers are required to have regard to certain matters in preparing SLM reports, including the most recent Impact report (if any) published under section 13 of the Bill (section 7). This means the Welsh Ministers will have regard to the Impact Report (if any), and other relevant matters, to assess and report on the progress made against the SLM objectives.

Annual Report.

With a view to providing good governance, accountability and transparency of public funds, the Welsh Ministers are required to prepare an Annual Report in relation to each reporting period. The initial Annual Report will cover the period up until 31 March 2025, after which the Annual Report will cover the financial year. The Annual Report will include the financial spend of all support provided during the period covered by the report. Where non-financial support has been provided, details of this will also be included.

The Annual Report must include the following key areas:

- a) The total amount of financial support provided during the financial year.
- b) Details of all non-financial support provided during the year.
- c) Details of all financial and non-financial support provided under each support scheme set-up pursuant to the power to provide support (section 8).

In addition, the Annual Report may also provide any other information which the Welsh Ministers consider appropriate. This may include, for example, details on any support which has been withdrawn, or whether any financial support which has been paid, is being recouped and the reason for this.

It may also highlight any one-off payments in support of any capital expenditure projects. Welsh Ministers may also provide information on the number of beneficiaries of support, under each support scheme or any support provided.

The Annual Report is not intended to include any assessment in respect of the power to provide support purposes, or the Sustainable Land Management objectives.

Impact Report

An Impact Report must be prepared in relation to each reporting period – the first period ending with 31 December 2029, and successive periods of five years after that date. The Impact Report is intended to provide an essential mechanism to evaluate the impact and effectiveness of all support, provided by any schemes operating under the power to provide support.

The Impact Report is intended to demonstrate whether certain actions are, or continue to be fit for purpose. Furthermore, this report provides a process of accountability, transparency, as well as a means of measurement against the purposes for which support is given, and an assessment of the supports contribution towards achieving the SLM objectives.

This will form an important and ongoing evidence base for future policy development. The Impact Reports are one of a number of documents which will inform the SLM Report.

Regulatory Impact Assessment.

In the Regulatory Impact Assessment (RIA) we set out indicative costs of a future scheme which meets the requirements of SLM and targets committed to by the Welsh Government.

With regard to the future SFS scheme, the Regulatory Impact Assessment estimates the costs in 6 different areas:

- administrative costs to the Welsh Government;
- the compliance costs;
- the estimated costs of annual payments to farmers;
- estimated costs of Farming Connect and the Farm Liaison Service
- estimated costs to NRW;
- and the estimated costs to the agriculture sector of entering the proposed scheme.

This is a comprehensive account of the likely costs.

With regard to the estimated costs of annual payments to farmers, we are not yet in a position to set out the anticipated annual expenditure on payments to farmers under the future scheme.

In July 2022, I published outline SFS proposals in advance of the RWS to engage with farmers in the process of co-design. The proposals also clearly demonstrate the types of scheme I intend to bring forward under the power of support provisions in the Bill.

I will consult on the final scheme next year. This will include a range of evidence concerning an assessment of the Scheme and the outcomes we are expecting to deliver.

The Agriculture (Wales) Bill does not define the delivery mechanism for future support. The proposed SFS is still being designed (currently in co-design with stakeholders) and, therefore, a quantitative assessment of the benefits is not possible at this stage.

The Welsh Government has committed to undertaking an economic analysis of the proposed SFS which will quantify the benefits of the future support scheme once the design of the scheme has been finalised.

Yours sincerely,

A handwritten signature in black ink that reads "Lesley Griffiths". The signature is written in a cursive style with a large, sweeping initial 'L'.

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

Agenda Item 2.8

**Pwyllgor yr Economi,
Masnach a Materion Gwledig**

**Economy, Trade and
Rural Affairs Committee**

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Jack Sargent MS

Chair, Petitions Committee

Date: 9 December 2022

Subject: Petition P-06-1291 Hold an enquiry into the corporate takeover of the veterinary profession in Wales

Dear Jack,

Thank you for your letter dated 1 November about the petition above. The Committee noted its content at its meeting on 9 November.

The Committee's work programme during the autumn and spring terms has been largely committed to legislative scrutiny. Nevertheless, when we next have an opportunity to consider our future work programme, I will ensure that consideration is given to any work the Committee may usefully be able to undertake in relation to the topic of the petition.

Kind regards,



Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg | We welcome correspondence in Welsh or English.

Chair, Children, Young People, and Education Committee
Chair, Climate Change, Environment, and Infrastructure Committee
Chair, Culture, Communications, Welsh Language, Sport, and International Relations Committee
Chair, Economy, Trade, and Rural Affairs Committee
Chair, Equality and Social Justice Committee
Chair, Health and Social Care Committee
Chair, Legislation, Justice and Constitution Committee
Chair, Local Government and Housing Committee

12 December 2022

Dear Committee Chairs,

Draft Budget 2023-24

I wrote to you prior to the summer recess in relation to the Finance Committee's pre-Budget engagement work and the Committee's Plenary debate on the Welsh Government's Spending Priorities for the forthcoming Budget. I am now writing to provide a further update on the Draft Budget scrutiny.

Consultation

At the start of the autumn term, the Finance Committee undertook a consultation seeking information on the Draft Budget on behalf of all Committees. We received 29 responses which are available on the Finance Committee webpage.

Timetable

As you will be aware the publication of the Welsh Government's Draft Budget has been delayed again this year due to the UK Autumn Statement that was announced on 17 November. The Minister for Finance and Local Government (the Minister) has confirmed that she will publish the outline and detailed Draft Budget together on 13 December. The Minister will appear before the Finance Committee on 14 December for an initial evidence session on the Draft Budget.

Budget focus

The focus of this year's budget is likely to centre on the cost of living crisis, rising energy costs and high inflation. In addition, the Finance Committee has identified a number of areas which we would like to see the focus of scrutiny, these are:

- what impact are inflationary pressures having on revenue and capital budgets and how has this changed affordability of previous plans;
- how resources should be targeted to support economic recovery and what sectors in particular need to be prioritised;
- to what extent alleviating climate change should be prioritised in supporting economic recovery;
- how budget allocations support aspirations of the Net Zero Wales plan;
- Welsh Government policies to reduce poverty and the impact of cost of living crisis and gender inequality;
- approach to preventative spending and how is this represented in resource allocations (preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early);
- sustainability of public services, innovation and service transformation;
- how evidence is driving Welsh Government priority setting and budget allocations;
- how the Welsh Government should use taxation powers and borrowing;
- support for businesses, economic growth and agriculture post-EU transition;
- what are the key opportunities for Government investment to support 'building back better' (i.e. supporting an economy and public services that better deliver against the well-being goals in the Well-being of Future Generations Act).

In addition, the following areas were identified as priorities during the Committee's stakeholder and engagement events during the summer term:

- tackling inequality and poverty – what are the priorities and how suitable is the current support given the proportion of people living in relative income poverty in Wales?

- NHS waiting lists – is there evidence of a robust plan, supported by adequate resources, to address the record number of people in Wales on waiting lists for planned or non-urgent NHS treatment, is it clear this is a priority for the Welsh Government?
- children and young people – is sufficient funding being provided and appropriately directed to support children and young people whose education, development, mental health and well-being have been affected by the pandemic?
- issues for long term sustainability of NHS, social care, further and higher education, local government and other public services, including how they can make efficiencies and transform how they deliver services.
- economy and infrastructure – are the right schemes being prioritised to support Welsh businesses and the economy, how does the Welsh Government enable Wales to prosper post COVID-19 and Brexit?
- how should the Budget address the needs of people living in rural communities and develop rural economies?
- creating a greener Wales – are Welsh Government’s plans to move to a greener economy clear and is sufficient investment being made to tackle climate change and its impacts? Do these plans need to be revised to reflect the increased urgency to reduce reliance on gas and oil given the war in Ukraine?
- third sector and volunteering – how can the Welsh Government support third sector organisations as they deal with financial challenges and increased demand for some services as a result of the cost of living crisis and pandemic.
- taxation – How should the Welsh Government use its tax raising and borrowing powers and do you feel these powers should be expanded, kept the same or reduced?

We hope that the [consultation](#) and [engagement work](#) will complement and inform the work of policy Committees and I would encourage you to use some of the areas outlined above as the focus for your budget scrutiny.

Budget Process Protocol

As mentioned, the publication of the Welsh Government Draft Budget has been delayed again this year. This is the fourth consecutive year there has been a delay, which has resulted in curtailed scrutiny periods for the Senedd. The Finance Committee therefore believes the time is right to review the [Budget Process Protocol](#) that was introduced in 2017. Whilst the protocol has many benefits, we believe it requires updating to reflect established practices and recent experiences, particularly the trend in recent years for the publication of the Welsh Government’s Draft Budget to be delayed in

light of the timing of UK fiscal events. I have recently written to the Minister proposing changes in the following areas:

- formalising the Committee's pre-budget engagement and scrutiny work; and
- providing greater certainty in relation to the timing of the Draft Budget.

The Minister has previously expressed a willingness to engage with the Finance Committee on this issue, and we hope that she will consider these changes to be proportionate. I will update Committee Chairs on this issue once I have received the Minister's response. The Finance Committee hopes that these changes can be addressed and implemented ahead of the 2024-25 budget round.

If you have any questions about any aspect of the Draft Budget process, please feel free to contact me or the Clerk to the Finance Committee, Owain Roberts, 0300 200 6388, seneddfinance@senedd.wales.

Yours sincerely,



Peredur Owen Griffiths
Chair, Finance Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.

Eich cyf/Your ref
Ein cyf/Our ref

Llywodraeth Cymru
Welsh Government

Paul Davies MS
Chair of the Economy, Trade and Rural Affairs Committee
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12 December 2022

Dear Paul,

Thank you for your letter of 21 November in relation to how Welsh Government is supporting and promoting cyber security and the wider industry. As you reference in your letter, cyber is a fast-paced area with constant new developments and innovation. I recognise the importance of cyber security and that it spans many areas, making up an 'eco-system' which provides opportunity to bring advantages to our citizens, public services and economy. For this reason, as outlined in our [Digital Strategy for Wales](#) we are developing a Cyber Action Plan for Wales which will bring together a coherent statement of ambition and activity on cyber in Wales.

Cyber is already a great strength for Wales. We have one of the biggest cyber ecosystems in the UK, and one of the strongest in Europe thanks to our partnerships between industry, academia and government. As noted in the Legislation, Justice and Constitution Committee's report, the Welsh Government's International Strategy identifies cyber as one of three of Wales' centres of excellence. Following the publication of the International Strategy the '*Priority Regional Relationships and Networks 2020-2025 Action Plan*', also outlines how we will use cyber to strengthen our relations with regions that have synergies with our work.

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0300 0604400

Gohebiaeth.Mark.Drakeford@llyw.cymru
Correspondence.Mark.Drakeford@gov.wales

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

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

With regards to the Second Additional Protocol to the Council of Europe Convention on Cybercrime, we note the Committee's report and agreed actions. As you highlight, prevention, detection and investigation of crime are reserved matters. My responsibilities as First Minister do include national security, including counter terrorism and cyber security and we are taking essential steps to reduce the cyber risks to Wales. As I announced at CYBERUK22, work is underway to procure and set up a Cyber Security Operations Centre (CymruSOC) for 18 Welsh Local Authorities and 3 Fire & Rescue Services. CymruSOC will bring together these services with Government, the National Cyber Security Centre (NCSC), and a technical expert, enabling a level of information and resource-sharing that will allow for a strong 'Defend as One' posture.

You asked what work we have undertaken to upskill our workforce around real risk, governance and policy cyber security skills. Our Digital Strategy for Wales outlines our aim to create a workforce that has the digital skills, capability and confidence to excel in the workplace and in everyday life. We see cyber skills as an important part of delivering this aim and in developing the Cyber Action Plan, we are looking at how to leverage the benefits of our multiple existing interventions, to attract and develop the cyber skills we need as a nation by cultivating cyber talent from school age through to the workforce.

From the perspective of government and public services, we work closely with the NCSC to provide leadership to organisations across Wales, particularly in the public sector, to use and apply the NCSC's advice and guidance. This will help keep our citizens safe and protected online and, crucially, ensure our public services are secure and trusted. We are working with our public services to encourage an organisational culture where cyber is everyone's business from leadership to front line. We have been working with executive boards across the public sector, via our unique outward loan post to the NCSC, to inform them of their cyber security and resilience responsibilities. In addition to this work, we are providing a facilitated version of the NCSC Exercise in a Box model to Welsh public sector bodies and we are undertaking a pilot scheme to foster greater observance of the NCSC's Cyber Assessment Framework (CAF).

We are providing NCSC Cyber Essentials/Essentials+ certification to over 20% of Welsh law firms and this model will be watched closely to ascertain potential viability for other sectors in Wales.

At school age, you may be aware of the wider CyberFirst programme which is designed to identify and nurture a diverse range of talented young people into a cyber security career. We work closely with the NCSC to raise awareness of the cyber opportunities for learners and schools in Wales. In 2020, we supported the NCSC to pilot the CyberFirst Schools/colleges scheme. Schools and colleges from across Wales have achieved CyberFirst recognition at Gold, Silver and Bronze levels. Through our work with the NCSC we have now secured funding to support the delivery of the CyberFirst Wales for schools programme on a national basis following strong delivery in pathfinder areas of Wales. This will be implemented by the National Digital Exploitation Centre (NDEC) in collaboration with the University of South Wales. This digital / coding initiative looking at enhancing the cyber security IT skills for learners will launch in 2023 and be delivered in schools collaboratively with Technocamps.

Wales has a strong higher education offering with partnerships between universities and industry to develop students on the pathway towards a career in cyber. Offering accredited,

world class initiatives and partnering with industry makes Wales an attractive place for students to study and follow a pathway into a career in cyber.

This is also supported by Cyber Security apprenticeships in Wales which respond to regional and national skills shortages and help drive awareness and interest in the sector. We have extensive IT and digital apprenticeship provision in Wales with nine sub-degree programmes (levels 2, 3, 4 and 5) and three degree level apprenticeship frameworks including a Cyber Security Degree Apprenticeship. For upskilling adults, our ReAct+ adult employability programme offers individualised support to unemployed adults 18+ which could include college and university leavers who have studied cyber security. This can help boost the employability of people in the cyber security industry post qualification.

Additionally, the Cyber Innovation Hub is supported by our £3million investment made by Welsh Government over 2 years, with £3 million of co-funding from Cardiff Capital Region and £3.5 million of in-kind match funding from consortium partners. This will strongly support both the cyber skill and employability agenda for Wales with its aims to train more than 1,500 cyber-skilled individuals and grow the cyber security sector in Wales more than 50% by 2030. The Hub brings industry, government, defence and academic partners together to grow the Welsh cybersecurity sector, enabling Wales to take advantage of the anticipated growth of the sector in the UK, and globally, by investing in a coordinated approach to skills, innovation and new enterprise creation. This initiative will support us to ensure that we have a pool of talent ready to meet the demand of a growing sector and provide people with opportunities to develop skills for a sector which could provide a lifelong career. The Hub's approach of addressing market-led innovation challenges and driving rapid development of new, innovative solutions will help support and provide opportunities in cyber and this is just one part of a strong and growing cyber ecosystem in Wales.

You also asked whether Welsh Government is taking any action to encourage more women into the cyber sector. We're aware that a critical thread through the cyber career pipeline is diversity and the importance of developing a diverse workforce, reflective of our society in Wales. We support, through engagement with our communication channels with schools, the NCSC's annual CyberFirst Girls Competition. Schools can enter teams of Year 8 girls to compete in cyber-themed challenges designed to inspire interest in technology careers and increase uptake of Computing GCSE subjects by female students. Wales also has one of the most active 'Women in Cyber Clusters' which regularly engages with UK and European conferences to discuss the subject and its work in Wales. We recognise that more can be done around the diversity of the cyber workforce and encouraging women into the sector, and this is being considered as part of the development of the Cyber Action Plan.

Finally, your letter asks about the sale of Nexperia BV's share in Nexperia Newport Limited. Our immediate priority now is to safeguard the future of the hundreds of highly skilled jobs in Newport. We remain fully committed to ensuring the continued development of our compound semiconductor cluster in South East Wales and the role it plays on a wider UK scale. In light of the UK Government's decision, UK ministers now clearly view the compound semiconductor sector in Wales as a strategic national asset as well as being internationally recognised. We therefore call on the UK Government to invest in the sector to safeguard its future. We don't have national security responsibilities, nor do we have any insight into the reasons why the UK government came to the conclusion that it did. What I think has become much clearer in the aftermath of the decision is that the sale of the company is not going to happen quickly. The investment that will be needed to move Nexperia - or the successor to Nexperia - from a fab manufacturing chips for Nexperia's

customers to one making other semi-conductor products for a new owner is also likely to take many hundreds of millions of pounds. This is a very, very consequential decision that has been made and it will be BEIS that will now have to help deal with the consequences of that decision. The issue of Nexperia and how its transition to new ownership is to be supported I think is a matter for the UK government given that they made the decision in the first place.

A handwritten signature in black ink that reads "Mark Drakeford". The signature is written in a cursive, slightly slanted style.

MARK DRAKEFORD

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

14 December 2022

Dear Paul

Legislative Consent: Retained EU Law (Revocation and Reform) Bill

You will be aware that the UK Government has introduced to the UK Parliament the Retained EU Law (Revocation and Reform) Bill (the Bill). If passed, the Bill would set in motion the UK Government's plan to retain, revoke or reform thousands of pieces of retained EU law (REUL). It would also begin a countdown to 31 December 2023, when the majority of REUL will automatically expire unless Ministers take action to save or reform it. Of concern to us, as legislators, is the fact that the Bill would enable Ministers, rather than parliaments, to significantly alter the UK's regulatory and legal landscape.

My Committee has, for some time, been keeping a watching eye on the UK Government's plan for REUL, and we began asking questions of the Welsh Government some months ago.

With the laying of the Bill before the UK Parliament, and in anticipation of the Welsh Government bringing forward the likely necessary consent memorandum, my Committee agreed to seek the views of stakeholders both in Wales and across the UK. We sought views on a number of matters including to what extent the Bill might impact Wales' regulatory landscape; what role should the Senedd have in the revocation and reform of REUL in devolved areas; the Welsh Government's decision not to carry out its own assessment of REUL, including not forming its own view on what is devolved and what is reserved; and whether the Bill might introduce new limitations for the Welsh Government, which wants to improve pre-Brexit standards, where possible.

Enclosed are the submissions we received from Dr Gravey and Dr Whitten of Queen's University Belfast, the NFU Cymru, the RSPCA, the Food and Drink Federation Cymru, the Food Standards

Agency, the Marine Conservation Society, the Wales Governance Centre and Wales Council for Voluntary Action, and Professor Jo Hunt of Cardiff School of Law and Politics. We believe this evidence may be of interest to your Committee.

You will also be aware that the Welsh Government has now laid before the Senedd a legislative consent memorandum in respect of the Bill, and that my Committee has lead responsibility for scrutinising the memorandum.

At our meeting on Monday 5 December, we took evidence from Mick Antoniw MS, the Counsel General and Minister for the Constitution, in respect of the Bill and the Welsh Government's legislative consent memorandum. You may wish to note that the Counsel General repeated his concerns that the implementation of the Bill, should it be passed and enacted, has the potential to overwhelm the governments of the UK. You may also wish to note that concerns about implications for Senedd Business and for the Welsh Government's own legislative programme were also discussed.

I am writing to other Senedd Committees to draw attention to the evidence we received which falls within the remit and interests of their Committees.

Yours sincerely,

Huw Irranca-Davies

Huw Irranca-Davies
Chair

Evidence for the Legislation, Justice and Constitution Committee of the Senedd – LCM on the Retained EU Law Revocation and Reform Bill

This evidence was drafted by Dr Viviane Gravey and Dr Lisa-Claire Whitten, Queen’s University Belfast. It builds on their ESRC-funded research for Brexit & Environment (VG) and Post-Brexit Governance NI (LCW) on the REUL Bill¹² and prior evidence to the House of Commons Public Bills Committee³.

1. the Bill’s impact in Wales

The Bill will have three different types of impact on Wales, both direct and indirect, and in the short or longer term. In the short term, the Bill will require a large amount of work from both the Welsh government and the Senedd – the first impact of the Bill is indirect, in terms of opportunity costs for the devolved administrations. While the Bill is a priority for the UK government it is not one for the devolved administrations who are effectively told to put their plans on hold for 2023. In the medium term, the Bill will have a direct impact on the Welsh regulatory landscape, in both reserved and devolved matters falling within the scope of the Bill (REUL SIs) – it remains to be seen who will be making decisions on the future of these instruments. In the longer term the Bill risks fueling regulatory divergence across the UK with as yet difficult to measure indirect impacts on the UK internal market and Wales’ place in it.

2. to what extent the Bill might impact Wales’ regulatory landscape

The Bill’s impact on the Welsh regulatory landscape depends on two separate issues: first, what is the extent of REUL falling within the scope of the Bill? Second, who will be making decisions on the future of these rules, and how?

We do not know the extent of REUL, either at the UK level, or in Wales. At the UK level, the Dashboard is incomplete: key departments such as DEFRA have not yet provided information as to what part of their REUL is built on primary, or secondary (thus within scope) legislation. The Dashboard does not indicate whether rules listed are reserved or not. The Dashboard furthermore does not include the 1400 ‘new’ REUL uncovered by the National Archives. In Wales, beyond requesting that the UK Government expands the Dashboard to devolved matters, mapping or listing of within-scope REUL has been published. Conversely in NI, both DAERA (600) and DFI (500) have conducted initial reviews of REUL within their remit. While the two devolution settlements are different, the NI numbers provide a good proxy for the

¹ <https://www.brexitenvironment.co.uk/2022/10/17/ten-questions-for-the-reul-bill-in-northern-ireland/>

² <https://www.brexitenvironment.co.uk/2022/10/10/reul-bill-devolution/>

³ https://publications.parliament.uk/pa/bills/cbill/58-03/0156/PBC156_Retained_EU_Law_1st2nd_Compilation_08_11_2022.pdf

consequent scale of REUL in Wales which would fall within scope of this Bill. But mapping across the four administrations will differ: different choices made at the time of transposing a directive (whether to do so via primary or secondary legislation) are now having a direct impact on whether a piece of REUL is in scope of the Bill or not. For example, the Strategic Environmental Assessment directive was transposed via primary legislation in Scotland (thus not concerned by REUL bill) but via secondary legislation elsewhere (Environmental Assessment (Scotland) Act 2005 (replacing interim SSI 2004/258), and SI 2004/1633 (England), SI 2004/1656 (Wales), SRO 2004/280 (NI)). A decision made by the Scottish Government in 2005 thus puts Strategic Environmental Assessment outside the scope of the REUL Bill in Scotland, while it is in scope for the rest of the UK.

A further uncertainty on the impact is to do with who will be in charge of deciding on the future of REUL in Wales in devolved matters. The Bill as it stands allows for decisions on those items of devolved REUL to be taken either jointly or concurrently by the UK and Devolved administrations. This, as Charles Whitmore (Wales Governance Centre) explained to the House of Commons Public Bills Committee is highly concerning:

“It is a constitutional anomaly within our legislation that the UK Government can use concurrent powers in the Bill to legislate in areas of devolved competence without any form of seeking consent from relevant devolved Ministers. It is egregiously out of keeping not only with the Sewel convention, which is already under significant strain but with other EU withdrawal-related pieces of legislation.”⁴

This is even more of an issue due, once more, to past decisions during transposition. If, for simplicity’s sake, a single UK-wide SI was taken to transpose a directive in a devolved area, then there is a real risk that if the UK Government were to revoke this piece of REUL it would do so for the whole of the UK.

As such, it is critical that the UK government commits to not making decisions on REUL in devolved matters without the consent of the devolved administrations (and ideally, of the devolved assemblies). But, if the 2023 sunset is kept, this would then put the onus on the Welsh government to restate all relevant REUL within a very short timeframe.

3. what role should the Senedd have in the revocation and reform of retained EU law in devolved areas
4. implications arising from the potential deadlines introduced by the Bill
5. the Welsh Government’s decision not to carry out its own assessment of REUL, including not forming its own view on what is devolved and reserved

The Senedd has managed to carve a role for itself in the Brexit SIs work – an area where consent had been agreed, via the 2018 MOU on an intergovernmental basis. But the 2023 sunset, and the lack of REUL mapping from the Welsh Government create a situation in which there is likely to be a trade-off between on the one hand, parliamentary oversight of policy-making and on the other hand, ensuring no single piece of REUL falls off the 2023 sunset cliff-edge by mistake, or through lack of time to restate it.

As such and because the Welsh Government is not in favour of this Bill and its potential to weaken regulations in Wales, the Senedd may wish to push instead for a blanket policy by the Welsh Government

⁴ https://publications.parliament.uk/pa/bills/cbill/58-03/0156/PBC156_Retained_EU_Law_1st2nd_Compilation_08_11_2022.pdf

to *restate* REUL and focus parliamentary work on the cases where the Welsh Government would like to revoke or amend REUL (if any). To do so, however, the Welsh Government must be able to identify REUL that exists within its competence because, under the Bill, ‘sunsetting’ is the default.

6. the Welsh Government’s capacity to carry out such an assessment and to use its powers under the Bill

The finding by the National Archive of 1400 new pieces of relevant REUL is concerning – six months after the publication of the UKG dashboard, more REUL keeps on emerging. This makes the 2023 deadline untenable if it is maintained, even more so in devolved areas where mapping has just started/is yet to start, REUL will fall, and regulatory gaps will occur simply through lack of time.

The Welsh Government’s position so far has been to reject the Bill’s draw on its resources and to refuse to engage in lengthy mapping: this position, while understandable, means that REUL in Wales may be most at risk out of the four administrations, as it is more likely to not be identified in time. The UKG dashboard is explicitly “not intended to provide an authoritative account of REUL that sits within the competence of the Devolved Administrations”⁵ this puts an onus on devolved institutions to carry out specific mapping.

On the issue of REUL mapping, it is worth noting that, during the Common Frameworks initiative, 65 areas of devolved competence in Wales were found to ‘cross-sect’ with, and be underpinned by, EU law and policy.⁶ Findings from the Common Frameworks mapping would be a good place to start mapping the potential scope of REUL that is applicable in Wales but, as yet, ‘missing’ from related policy debates.

Notably, powers granted Welsh Ministers under Schedule 2 of the European Union Withdrawal Act 2018⁷ to amend retained EU law were used to pass 88 Welsh statutory instruments. Any legislation that was amended by these 88 WSIs will likely be subject to REUL sunsetting and may not (yet) feature in any mapping exercise, including that of the UKG dashboard.

7. the Welsh Government’s role in, and plans for, the UK Government’s joint review, announced alongside the Bill

Notwithstanding the UK Government stated intention to work with “Government Departments and the Devolved Administrations” to carry out a review before the end of 2023 to “determine which retained EU law can be reformed to benefit the UK, which can expire and which needs to be preserved and incorporated into domestic law in modified form” its procedure for doing so is unclear. This being so it is worth noting that alongside powers granted Welsh Ministers to review/revoke/restate REUL within devolved competence the Bill also enables central UK government Ministers to review/revoke/restate REUL in devolved areas. This creates the possibility of conflicting actions being taken in respect of REUL at devolved and central government level and again underlines the key question regarding who will make decisions about the future of REUL in Wales.

⁵ See ‘Retained EU Law – Public Dashboard’ Available:

<https://public.tableau.com/app/profile/governmentreporting/viz/UKGovernment-RetainedEULawDashboard/Guidance>

⁶ See UK Government ‘Frameworks Analysis’ 2021. Available:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1031808/UK_Common_Frameworks_Analysis_2021.pdf (accessed 11 November 2022).

⁷ <https://www.legislation.gov.uk/ukpga/2018/16/schedule/2>

Clarifying the process by which the UK government plans to carry out its 'joint review' and determining the extent to which this truly will be *jointly* administered by devolved and central Ministers ought to therefore be an urgent priority for the Welsh Government.

8. the scope of regulation-making powers granted to the Welsh Ministers by the Bill including the scrutiny procedures attached to those powers

The scope should be in line with those of Ministers of the Crown, including revising the sunset date. This is even more the case for Wales where no mapping has been produced and thus where the risk of accidentally sunsetting REUL is the highest. The sunset cliff-edge discourages lengthy scrutiny – considering the breadth of the work that must be done, scrutiny risks being a hurried afterthought.

9. whether the Bill might introduce new limitations for the Welsh Government, which wants to improve pre-Brexit standards, where possible

In line with our answer to question 1, main limitations are those of opportunity costs (Welsh Government having to delay its own agenda, including pre-Brexit standards) to focus on fighting to stand still; and indirect impact of facilitated deregulation in England, which may make improving pre-Brexit standards in Wales more onerous for Welsh businesses (and skew the level playing field in the UK).

10. steps that the Committee could take in future, including with regards to powers exercised under the Bill

The Committee is in a unique position to discuss and comment on the impact that powers under the Bill will have on the broader post-Brexit policy infrastructure, in particular the Common Frameworks and the operation of the UK Internal Market Act. The few provisional Common Frameworks agreed all refer to REUL and will need to be amended. The framework analysis of where Common Frameworks were needed or not was based on both an assumption that there was no significant risk of divergence in many areas (an assumption voided by the REUL Bill) and that pre-existing ways of working between the administrations were sufficient. This Committee should ask that equivalent efforts to cooperate (and at least institute an early warning of any change) is put in place between the four administrations whether the policy topic is covered by a provisional common framework, or pre-existing arrangements.

11. implications for Wales' legal landscape, including the introduction of new categories of legislation, and issues relating to clarity and accessibility

This Bill risks making the already messy post-Brexit legal landscape even messier with reduced clarity and accessibility, and much greater intra-UK divergence, potentially overnight (at the end of 2023).

To: The Senedd Legislation, Justice and Constitution Committee

Date: 16th November 2022

Ref:

Cc:

Contact:

Tel: [REDACTED]

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Dear Committee

The Retained EU Law (Revocation and Reform) Bill

NFU Cymru champions Welsh farming and represents farmers throughout Wales and across all sectors. NFU Cymru's vision is for a productive, profitable, and progressive farming sector producing world renowned climate-friendly food in an environment and landscape that provides habitats for our nature to thrive. Welsh food and farming delivering economic, environmental, cultural, and social benefits for all the people of Wales whilst meeting our ambition for net zero agriculture by 2040.

We welcome the opportunity to provide the Legislation, Justice, and Constitution Committee with our thoughts on the REUL Bill. Our views set out in this submission are based on our current understanding of the Bill as introduced, an understanding which is almost certainly imperfect, which will probably evolve further as we develop our knowledge of the Bill and its implications, and as the Bill itself is amended as part of the scrutiny process.

Regulation and agriculture

1. Regulation is something which has become part and parcel of modern agriculture, and over the course of almost half a century of EU membership, agriculture has been more exposed to EU law-making than any other sector of the economy. We recognise the value and importance of sound regulation, particularly as it relates to the safeguarding of the environment, human and animal health and the protection of consumers.
2. Good regulation balances the fundamental value of an economic activity with appropriate controls which ensure that the risk of harm is minimised. In contrast poor regulation imposes burdens on business which are disproportionate to any benefits derived, these burdens add to costs, place businesses under competitive disadvantage, and may deter businesses from undertaking activities which are valuable to society.
3. NFU Cymru has long advocated for better regulation and has been at the forefront of calls to reform and improve poor regulation and regulatory practices. Having left the EU, we see opportunities to review the regulation of the agricultural sector.

4. The regulatory environment within which farmers operate needs to be proportionate in the way it impacts on farm businesses, as well as a means by which intended outcomes are delivered. Regulations must be well designed, clear, accessible, and easily understood, and Government must remain open to reviewing and updating regulations so that they stay current and fit for purpose.
5. As part of our response to the Welsh Government Agriculture (Wales) Bill White Paper in March 2021 we called for a full-scale review of the current regulatory framework that farmers operate within. We said that this should consider areas of duplication, the coherence between different regulations, areas where there is overlap between regulators and the potential for misunderstanding and misinterpretation of regulations. Decisions around regulation should be based on robust evidence with comprehensive regulatory impact assessments, with due consideration of alternative interventions that may shape business behaviours.
6. NFU Cymru does have concerns about the REUL Bill both in terms of what it proposes to do and how it proposes to do it. Good, sound law-making and regulatory reform takes time and should properly engage Ministers, Governments, legislatures as well as encompassing discussion and consultation with stakeholders, interested and affected parties.
7. The conferral of unprecedented powers on Ministers to change the regulatory landscape (with few of the usual checks and balances), coupled with revocation by default of retained EU law invites the creation of legal uncertainty and an incoherent regulatory landscape. We would instead advocate for an incremental approach to regulatory reform and the development of the law in a manner which is clear, predictable, and understood by all.
8. If we are denied the opportunity to properly work through the body of REUL then we run the risk of discarding important regulatory protections, and also incurring the opportunity cost of failing to realise the desired outcome of designing better regulation or regulatory approaches in some areas.
9. Where regulations end up being repealed without due regard to the likely impacts or there is a failure to properly understand the interdependencies of pieces of law then Governments may find themselves fighting hasty rear-guard actions to close legislative gaps which have opened up. Such a scenarios will be damaging for business and consumer confidence and certainty.
10. Regulatory changes and reforms, however desirable they are, need to be trailed as far in advance as possible, and introduced gradually so that implementation, compliance, and enforcement requirements can be aligned to the new regulatory environment and that those impacted may properly prepare for the altered regulatory landscape.
11. At this point we would remind any intending reformers of the cautionary principle of 'Chesterton's fence,' specifically that reforms should not be attempted until the reasoning behind the existing state of affairs is properly understood.

The Bill's impact in Wales and on Wales' regulatory landscape, the role of the Senedd and the implications of the deadlines introduced by the Bill

12. NFU Cymru supports the position that powers to amend legislation relating to devolved matters should rest with Welsh Ministers and where the Bill provides for concurrent powers, UK Ministers should seek the consent of Welsh Ministers before exercising these powers.
13. The Bill as drafted creates concurrent powers for Ministers of the Crown and Welsh Ministers, powers which could be exercised by Ministers of the Crown with or without the consent of Welsh Ministers, or alternatively by Welsh Ministers acting alone.
14. It is therefore difficult to arrive at a view in terms of the Bill's impacts in Wales without knowing exactly what approach might be taken to exercising the powers conferred by the Bill in respect of areas of devolved competence.
15. It is however worth noting of course that retained EU law very often intersects extensively with devolved competencies, for example the volume of legislation relating to agriculture exceeds that relating to any other sector. The exercise of powers contained in the Bill, whether by UK Government Ministers or by Welsh Ministers is likely to place a significant resource demand on stakeholders such as NFU Cymru at the very time when they are properly concerned with matters of first order importance, such as the Agriculture (Wales) Bill.
16. We are also concerned at the resource implication that this opens up for Welsh Government departments which will have to direct resources and capacity away from other important work areas, something which is likely to be exacerbated in light of any future public spending restraints. The creation of an (artificial) sunset deadline of the end of 2023 introduces further resource strain on UK and Welsh Government departments, particularly those departments which are home to large amounts of retained EU law.
17. We would not want any piece of regulation discarded without a proper assessment, including stakeholder consultation, on whether it ought to be retained, amended, or discarded, or indeed whether it would be sensible to prepare an entirely new regulation or regulatory approach. We are concerned that insufficient capacity coupled with a tight deadline heightens the risk of errors and oversights.
18. It is likely that NFU Cymru would need to conduct an extensive analysis of retained EU law and liaise with Welsh Government and UK Government departments in order to help them arrive at views as to what should happen with retained EU law, this is a process which requires time and resource. By removing the sunset provisions altogether and not working to a highly truncated timeline, we would be better placed to properly resource such an exercise, and work properly with government on post-Brexit regulatory reform.
19. The December 2023 deadline therefore imports a particular risk. A piece of REUL for which no saving provision is made will fall away at the end of next year at the expiry of the sunset deadline. We point once again to the real possibility that there will be oversights, and pieces of law which it might be desirable to save will simply fall away,

while opportunity costs will be incurred as we fail to properly examine if and how we might better integrate, and reform retained EU law within our domestic legal system.

20. We therefore call on the UK Government to consider extending the sunseting deadline beyond the end of 2023, or alternatively removing the legislative cliff-edge altogether. A review of REUL can then take place without the backdrop of a hard deadline.
21. We also foresee a potential for significant (and ultimately unnecessary, time consuming and unproductive) disputes about where devolved competence lies, and as such matters become contested then we expect that they will place a further strain on intergovernmental relations.

The lack of Welsh Government assessment of REUL and the Welsh Government's capacity to carry out such an assessment and to use its powers under the Bill

22. Welsh Government is of course best placed to speak to its decision not to undertake an assessment of REUL, and NFU Cymru's discussions with Welsh Government have not given any indication of the reasons behind its decision not to carry out an assessment of REUL.
23. This lack of assessment could be due to capacity issue and may also, in part, be down to the fact that the UK Government may not have held much in the way of pre-legislative discussions with Welsh Government as regards its intentions in relation to the REUL Bill.
24. Owing to where EU law typically intersects with devolved competence this will disproportionately impact certain portfolios, particularly those taking in matters such as agriculture and the environment. These are comparatively small departments in terms of headcounts, which are at the moment engaged with pressing issues such as the passage of the Agriculture Bill.
25. It is certainly the case that any assessment of REUL within various Welsh Government Ministerial portfolios will take time, as will the exercise of those powers conferred on Welsh Ministers under the Bill.
26. If the decision by Welsh Government not to scope out the extent of REUL is indeed due to capacity issues, then this would also indicate that the Welsh Government may also struggle to use the powers conferred upon it in the Bill.
27. Although the UK Government has sought to bring together all REUL as a dashboard, it remains the case that pieces of REUL are still being uncovered. It is quite possible that there are pieces of REUL which have not been populated to the dashboard.
28. Unless these pieces of REUL are all identified, and a decision made on whether they are to be amended, repealed, or replaced, they will fall automatically fall away on the passing of the sunset deadline creating risks of gaps in the law.

The scope of regulation-making powers granted to Welsh Ministers and scrutiny procedures attached to those powers

29. NFU Cymru acknowledges that Welsh Ministers have not sought these powers in relation to REUL for themselves, rather these powers are set to be conferred on Welsh Ministers at the initiative of the UK Government.
30. NFU Cymru believes that there should be oversight and involvement for the Senedd when it comes to the exercise of these powers by Welsh Ministers. We are uncomfortable with the way in which the Bill places democratic oversight of changes to REUL in the hands of UK and Welsh Ministers and not the Westminster and Welsh Parliaments.
31. At Clause 1(2) Welsh Ministers and Ministers of the Crown are granted powers to delay the sunset of REUL indefinitely. It therefore seems quite anomalous to us that Welsh Ministers are not granted the power to delay sunset until 23rd June 2026 in the same way as Ministers of the Crown are at Clause 2.
32. We are keen to avoid a situation arising whereby the sunset of REUL at the end of 2023 could potentially be leveraged for the purposes of reducing scrutiny of actions to amend or replace REUL. For example, we would be concerned if Ministers in London or Cardiff were to introduce legislation to amend or replace retained EU law late on in 2023, in the full knowledge that if their respective parliaments were to delay its passage, the retained EU law will simply fall away, leaving a gap in the statute book.
33. This would put Parliamentarians in an invidious position whereby they may not be able to press for the scrutiny that they might desire for fear that they would end up with no legislation at all governing a particular field.
34. Similarly, we would be concerned at the prospect of Welsh or UK Ministers making late decisions about whether to save retained EU, amend it or simply let it fall away. This is likely to leave little time for businesses to implement and comply with new regulatory requirements.
35. Clause 15 confers very wide-ranging discretions on Ministers to make such alternative provisions as they might consider appropriate with very few oversight requirements, such as duties to consult which may well have accompanied the original REUL which is being replaced. This could mean significant policy changes with no proper oversight or stakeholder engagement.

Improving on pre-Brexit standards

36. It is worth noting that one legacy of our EU membership is some of the highest environmental and animal welfare standards in the world. The starting point is therefore one of very high standards, standards which have not always been rewarded by the marketplace and which going forward we feel are at increasing jeopardy as a result of trade deals struck with countries operating to lower standards.
37. Our members are proud of these high standards of production which underpin Welsh agriculture, and we would regard the desire to uphold our high standards as commendable. These high standards must however be properly rewarded from the

marketplace, otherwise our producers will simply be placed at a competitive disadvantage.

38. NFU Cymru notes the provisions at Clause 15 which will not permit a relevant national authority to increase the regulatory burden when it replaces secondary retained EU law with another provision, and so in essence REUL represents a regulatory ceiling. As a Union we fully recognise how this forecloses on what might otherwise have been legitimate devolved policy choices directed at improving on pre-Brexit standards, within the competence of the Senedd and Welsh Ministers.
39. Setting aside the impact of Clause 15, when it comes to making decisions around standards expected of their producers, Welsh Ministers cannot be naïve to what might be happening in England, the other UK home nations, the EU27 and further afield. If they chose to pay no attention to standards in other jurisdictions whilst increasing the standards demanded of their own producers, then they will end up putting their own producers at a competitive disadvantage.
40. In this context we would also point to the provisions of the Internal Market Act 2020 which prevents Welsh Government from being able to exclude products produced to different (lower) standards from being marketed and sold within Wales' borders.
41. We recognise that the Clause 15 provision introduces new limits on devolved competence in relation to standards and we urge Welsh Government to continue to work with Governments in the other UK home nations to advocate for high standards and resist any race to the bottom when it comes standards.
42. The interrelationship between domestic regulation and international trade must be properly taken into account as part of any regulatory review process to avoid the introduction of unnecessary barriers to trade for our agri-food products.
43. We are very much of the view that over the coming years and decades, Governments in London and Cardiff will need to work together to strike the correct balance between desirable regulatory reform and regulatory stability whilst also being mindful of our obligations at international law.

By email: seneddLJC@senedd.wales

18 November 2022

Ref: MC2022/00298

Annwyl Weinidog / Dear Mr Irranca-Davies

I am writing in response to your request for stakeholder comment on the provisions in the REUL bill to inform scrutiny of the Bill and subsequent Welsh Government legislative consent memoranda.

Devolution transferred responsibility for food and feed safety and hygiene from the UK government to Wales, Northern Ireland and Scotland. This means that the FSA has the function of developing policies and advising Welsh Ministers on these areas. Our commitment to four-country working ensures that we can effectively protect public health and consumer interests across England, Wales and Northern Ireland, working with Food Standards Scotland.

As you will be aware, the Bill intends to automatically sunset Retained EU Law (REUL) at the end of 2023, unless Ministers agree to extend, preserve, reform or restate them. The Bill also includes the option to extend REUL to allow reform in the period until 2026.

In the FSA, we are clear that we cannot simply sunset the laws on food safety and authenticity without a decline in UK food standards and a significant risk to public health. While I'm sure this is not the Government's intention with these plans, the current timeframe does cause me some concern. We will need to work through more than 150 pieces of retained EU law, 39 of which are specific to Wales very quickly and to advise ministers on how best to incorporate important rules that safeguard food safety and public health within our domestic legislation.

Ensuring that people have food they can trust remains our number one priority. We also recognise this is an opportunity to review and reform these laws so that businesses have the right regulation to enable them to provide safe and trusted food, to trade internationally and to grow.

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In due course, we think a new UK Food and Feed Bill would provide the best opportunity for a comprehensive rethink, tailored to the needs of the UK. Our experience tells us that developing policy in an evidence-based, open and transparent way is better for consumers and for businesses, but this takes time to get it right.

Food law is devolved and we support devolved decision making on food and feed safety and standards. We will continue to work with Welsh Government officials on the bill's impacts in Wales and will consider any reforms in line with commitments in the common framework agreements for Food and Feed Hygiene and Safety and Food Compositional Standards and Labelling.

Yn gywir



Yr Athro / Professor Susan Jebb OBE, PhD, FRCP (Hon), FMedSci

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Legislation, Justice and Constitution Committee response evidence REUL

Provided in addition to points raised in the WEL evidence submission.

The changes proposed by the Retained EU Law (Revocation and Reform) Bill (REUL) have the potential for significant impacts to cross border and Welsh Marine Protected Areas (MPAs).

There are risks of two-tier system for cross border sites, potentially hindering delivery of the biodiversity deep dive recommendations. The introduction of new categories of legislation could create issues relating to clarity and accessibility. Especially for marine developments that span more than one jurisdiction, e.g. Impacts resulting from offshore developments, for which Wales does not have devolved competency such as oil, gas, marine renewable energy.

The implications are twofold; firstly, degrading the current, often underperforming, legislation hindering Marine recovery ambitions even further and, secondly the REUL proposals could also limit Welsh Governments ability to enhance existing legislation in line with achieving the biodiversity deep dive recommendations.

For example, the *British Energy Security Strategy* is the UK Government's response to rising energy prices. With both areas not fully devolved to Wales and with proposals either within Welsh waters (Offshore Wind), or adjacent to the Welsh Sea Area (Oil & Gas). With respect to offshore wind energy and oil/ gas production the strategy calls for:

- Offshore Wind: 50GW by 2030 from offshore wind, with 5GW from floating offshore wind in deeper seas. Underpinned “*by new planning reforms to cut the approval times for new offshore wind farms from 4 years to 1 year and an overall streamlining which will radically reduce the time it takes for new projects to reach construction stages while improving the environment*”¹.
- Oil and gas: “*a licensing round for new North Sea oil and gas projects planned to launch in Autumn, with a new taskforce providing bespoke support to new developments – recognising the importance of these fuels to the transition and to our energy security, and that producing gas in the UK has a lower carbon footprint than imported from abroad*”.

UK Government announced a Growth Plan (2022), with an aim of *accelerating the construction of vital infrastructure projects by liberalising the planning system and streamlining consultation and approval requirements*ⁱ reflects the objectives of the Energy Security Strategy towards the Planning Act (2008) and Habitats Regulations.

Section 3.36 of the Growth Plan (2022) indicates that reform will be via:

- reducing the burden of environmental assessments
- reducing bureaucracy in the consultation process
- reforming habitats and species regulations
- increasing flexibility to make changes to a Development Control Order (DCO) once it has been submitted.

The list indicates that reform will extend past the Habitats Regulations to the Planning Act (2008) and EIA Regulations. Losing or downgrading this assessment framework impacts the accuracy of supporting information to enable planning and marine licensing decisions that protect marine habitats and species. Considering some sites are cross border and that mobile features of Welsh Marine Protected Area (MPAs) may rely on UK MPAs outside Welsh waters, reduction in

¹ Possible link with Net Gain.

protection outside of Wales may have serious implications to the ability of Welsh Government to deliver the outcomes of the Biodiversity deep dive.

The proposals from UK Government policy pose a threat to the natural capital of the UK, and the MPA network, through their stated objective of removing the protections provided by EU derived regulations. It is unclear how such an approach would be applied to sites with shared management plans such as Liverpool Bay SPA or the Severn Estuary SAC. However, changes should not be limited to erosion of existing power or the lowering of standards. Below are some examples of risks and potential opportunities;

The Conservation of Habitats and Species Regulations 2017: The basis of the Habitats Regulations is to prevent impacts from developments, to protect sites and indirectly, our Natural Capital. The Conservation of Habitats and Species Regulations (2017) enables the designation of, and provides protection to, all European Special Protection Areas (SPA) and Special Areas of Conservation (SAC) within 12 miles of the UK coastline. If a plan or project, including energy or infrastructure proposals, are being considered within or adjacent to one of these European sites, the regulations require a Habitats Regulations Assessment (HRA) to be undertaken to assess the effect of such proposals on the integrity of the site's features (habitats and species). Such an assessment can be required to also consider the "in-combination" impacts of other plans and projects. Importantly, the regulations require HRAs to be undertaken as part of marine licensing under the Marine and Coastal Access Act 2009 and for development consent under the Planning Act 2008, including Nationally Significant Infrastructure Projects such as offshore wind developments.

Removal of the Habitats Regulations would take away the protections afforded to habitats and species within the UK inshore MPA framework based upon SPAs and SACs. Replacement legislation to establish and manage the existing and future SACs, SPAs or an alternative designation would be required. A key point is that the regulations form the legal basis that underpin the existing SAC and SPA sites within the UK MPA network, and Welsh waters.

While a possible replacement could be via the Marine Conservation Zone (MCZ) designation under the Marine and Coastal Access Act (2009) alongside with the MCZ assessment procedure, these would not be a like for like replacement. The Habitats Directive that forms the basis to the Regulations, has a huge amount of casework and legal decisions from the European Court of Justice (ECJ) and UK law that define the interpretation of the legal framework with respect to the designation and protection of SPAs and SACs. However, the HRA process will not necessarily lead to habitat improvement and recovery: i.e., the regulations may be adequate for development control, but a future revision could be further enhanced to enable proactive improvement of the sites designated under the regulations.

Conservation of Offshore Marine Habitats and Species Regulations 2017: The Conservation of Offshore Marine Habitats and Species Regulations 2017 provides similar statutory duties and protection to that of the Habitats and Species Regulations (above) but extends these powers offshore from 12 nautical miles of the coast. Regulations 28 and 29 of the Regulations are like those of the Habitats Regulations (above) with respect to assessment of plans and projects and overriding public interest. Removal of the Habitats Regulations would take away the protections afforded to habitats and species within the UK offshore and the MPA framework based upon SPAs and SACs.

Marine Works (Environmental Impact Assessment) (Amendment) Regulations 2017: The regulations amend those of 2007, providing the UK enabling legislation for the EU EIA Directive 2011/92/EU and the amendments of Directive 2014/52/EU. These amendments link to Part V (Marine Licensing) of the Marine and Coastal Protection Act (2009) and Part II (Deposits in the Sea) of the Food and Environmental Protection Act 1985 with respect to licensing. The regulations set out the requirements for undertaking an Environmental Impact Assessment (EIA), documented within an Environmental Statement (ES). Removal of the Marine Works (Environmental Assessment) Regulations would in effect undermine the ability of the UK marine licencing system to protect the marine environment from development and disposal activities.

Offshore Petroleum Licensing (Offshore Safety Directive) Regulations 2015: The Offshore Petroleum (Offshore Safety Directive) Regulations 2015 enact the Directive 2004/35/EC. Regulation 10 places financial liability for the prevention and remediation of environmental damage resulting from offshore petroleum operations on the licensee. Environmental damage within the regulation's references, but does not document within the UK regulations, the definition used within Directive 2004/35/EC: *"damage to protected species and natural habitats, which is any damage that has significant adverse effects on reaching or maintaining the favorable conservation status of such habitats or species. The significance of such effects is to be assessed with reference to the baseline condition, taking account of the criteria set out in Annex I;"*

Article 5, Article 6, Article 7, Annex I and Annex II of the Directive sets out preventative and remedial actions to address environmental damage from offshore petroleum licensing. These too have not been clearly defined within the UK regulations, nor the Environment Act (2021).

Removal of the Offshore Petroleum (Offshore Safety Directive) Regulations 2015 would take away a legal definition of Environmental damage, together with the framework to prevent and remediate impacts to marine habitats from oil and gas development. While Welsh Government has made clear that no further oil and gas developments will occur in Welsh waters, UK government has set out proposals in adjacent waters – located near to the cross-border Liverpool Bay SPA. Therefore, erosion of protection in English waters could have implications for protection in Wales.

The Offshore Petroleum Activities (Conservation of Habitats) Regulations 2001: Provides the basis for undertaking appropriate assessment of oil and gas plans and projects with respect to the Habitats (Council Directive 92/43/ EEC) and Birds (Directive 2009/147/EC). Regulation 5 sets out the requirements for appropriate assessment, with Regulation 6 specifying the conditions for overriding public interest. Removal of these regulations would have a similar impact to those of the other Habitats Regulations (see above).

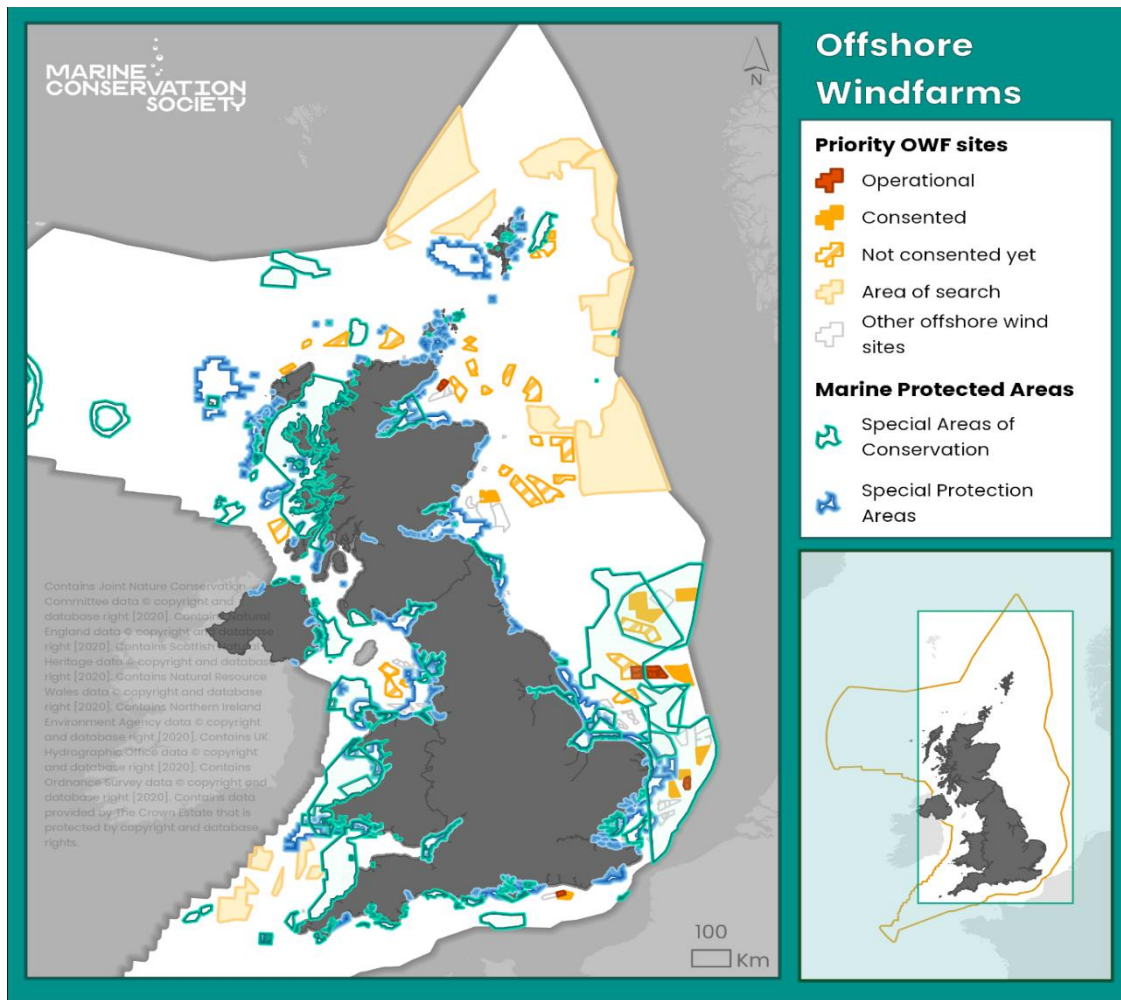
CASE STUDY: OFFSHORE RENEWABLES LICENSING

Annex B of the UK Government Growth Plan (2022) identifies groups of offshore wind projects² as priorities for reaching renewable energy targets. Map 1 (below) shows operational, consented and priority not consented/ proposed/ search areas for offshore wind. Many adjacent to Welsh MPAs, and likely to have some impact on the mobile features of these sites. Despite the protection supposed to be provided by MPA designation, sites (SACs, SPAs, and MCZs) in Wales may be impacted by a number of presently unconsented and proposed sites included in the Growth Strategy (2022).

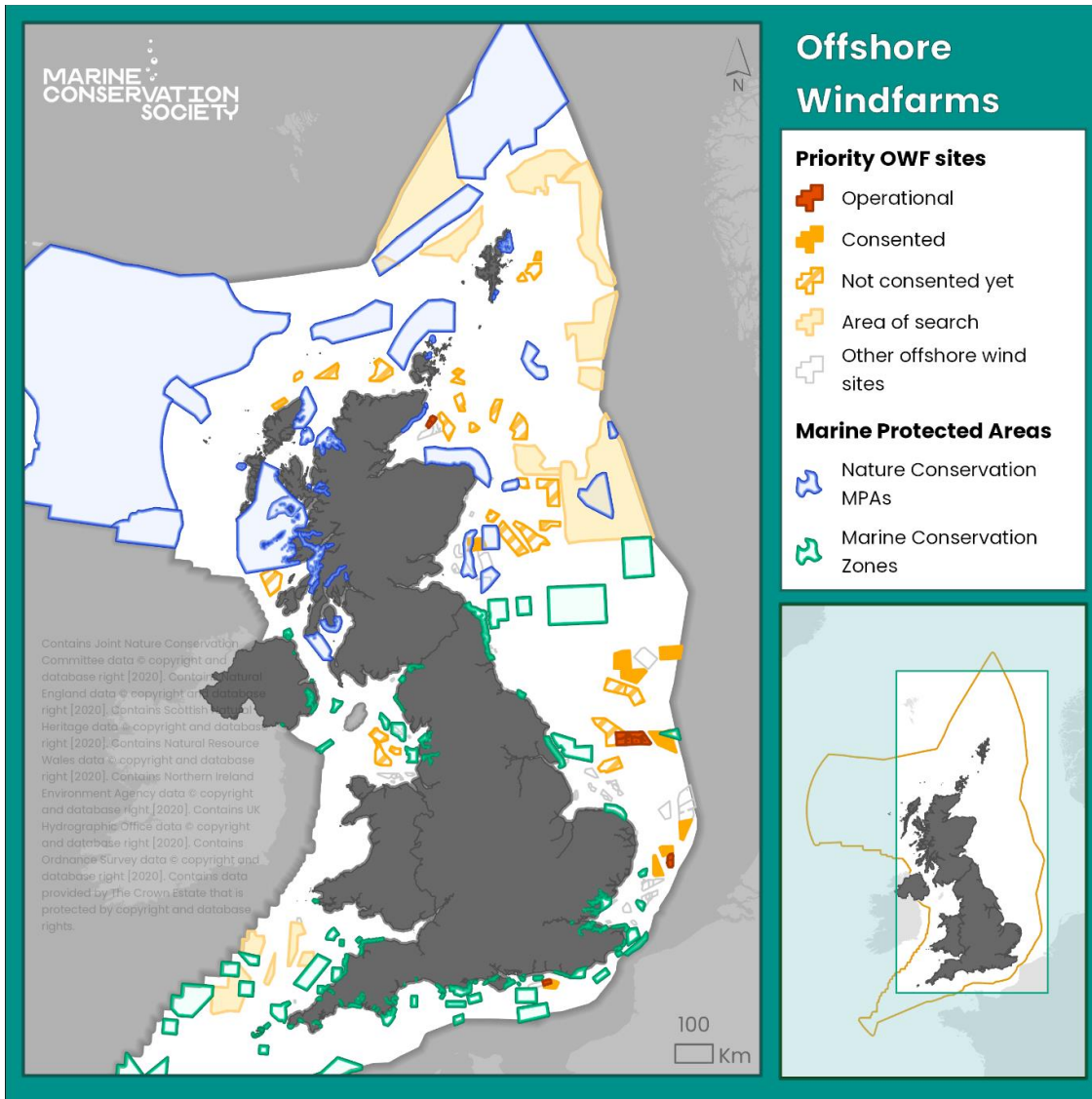
The development of offshore renewables to address climate change is essential, provided such developments *fully take into account the impacts on marine ecosystems and provide appropriate mitigation to eliminate or minimise to a negligible level such damage to these ecosystems*. Current technology enables static turbines to be placed in waters <60m deep, with Floating Offshore Wind Turbines (FOWT) able to be placed in deeper waters (>100m). The following sections define the potential impacts to marine ecosystems and the implications of losing EU derived legislation.

Noise and Electromagnetic Fields: construction of static turbine foundations, using pile driving results in extreme noise over large areas. For marine mammals this can cause avoidance behaviour, whilst fish species may suffer mortality from tissue damage. In extreme cases, piling has been cited as a cause of hearing loss in marine mammals. Associated activities of seabed preparation, drilling, dredging or intensified vessel traffic may cause marine mammal and fish species to leave the locality of construction. Long-term, the impact is potentially limited as species may return to the area once construction activity has ceased. As turbines increase in size, generation power and number; corresponding noise levels are likely to increase. The existing Habitats and Environmental Assessment Regulations require developers to consider the implications of such changes in the intensity of impacts.

Map 1 Marine Protected Areas (SACs and SPAs), Operational, consented and priority not consented/ proposed/ search areas for offshore wind.



Map 2 Marine Protected Areas, Operational, consented and priority not consented/ proposed/ search areas for offshore wind.



Species vulnerable to these impacts include harbour porpoise found within Bristol Channel Approaches / Dynesfeydd Môr Hafren, and seabird features of the Grassholm SPA, Skomer, Skokholm and the Seas off Pembrokeshire / Sgomer, Sgogwm a Moroedd Penfro and the Liverpool Bay / Bae Lerpwl SPA,

Pollution: Two potential sources of pollution have been identified during construction and operation of wind turbines. Firstly, the remobilisation of pollutants from sediments during construction (e.g., piling, dredging), particularly if those pollutants can accumulate in foodchains. Many UK Sea areas, notably locations within and near the estuaries of existing and former industrial areas have a legacy of marine pollution within sediments. The current provisions of the Habitats and EIA regulations require developers to consider and prevent these pollution risks but only if the safeguards provided by the legislation are left in place.

Areas that may be vulnerable to remobilisation of pollutants are sites near former or currently industrialised estuaries where cables are brought ashore and works involve disturbing sediments. Bird species will also be vulnerable to accidental spills. Pollution from shipping accidents pose a risk to adjacent SPAs designated for seabirds.

Entanglement: The use of mooring lines and cables by Floating Offshore Wind Turbines (FOWT) creates a risk of entangling and killing marine mammals and fish species. The impact takes two forms: primary and secondary entanglement. Primary entanglement is where a creature, potentially larger marine mammals, and sharks, becomes entangled in the turbine's moorings and cables. Secondary entanglement occurs where ropes, fishing gear etc. becomes entangled and in-turn entangles marine wildlife, like 'ghost fishing'. The impact is not well understood, as the use of FOWT is limited within UK

waters, emphasising the need to retain HRA and EIA regulations to ensure developers take account of entanglement risks. With developments planned in the Celtic Sea area, it is important that the legislation that requires the impacts to protected sites features is retained, to ensure that new developments are nature positive in addition to climate positive.

Habitat loss/change: Construction of offshore turbines could lead to habitat degradation and loss through direct impacts or changes in sedimentation regimes causing smothering. Piling of foundations, dredging and laying of cables and related infrastructure will damage and destroy seabed habitats in a similar way to oil and gas development. Construction within MPAs impacts protected species or is within sensitive/ vulnerable habitats (e.g., Habitats Directive Annex I Natural Habitats and Annex II Species) that are currently protected by the Habitats Regulations. In addition, removal of the EIA Regulations would undermine consideration for non-EU derived sites, e.g., MCZs.

The loss of this protection could lead to the disruption of ecosystem processes and properties by construction within these sensitive sites, altering food webs and impacting on associated species. A direct impact to benthic communities may then ripple through food webs to impact pelagic species distribution.

Alongside direct physical damage, constructing foundations for static wind turbines can disturb sediment into the water column during dredging and piling. Resultant increases in sediment (turbidity) can harm juvenile fish and other sensitive organisms and lead to smothering of seabed communities. In shallow inshore waters increase suspended sediments and alter sedimentation rates/ longshore sediment transport resulting in habitat change. Once again, undertaking a HRA or EIA can identify methods to mitigate these impacts, but only if the Habitats and EIA Regulations are retained.

MPAs vulnerable to seabed habitat damage include, of interest to Wales, South of Celtic Deep.

Invasive Species: Unfortunately, new at sea developments may be accompanied by opportunities for non-native/ invasive species colonisation. Turbine construction with the proliferation of new foundations and anchoring points across a wide, area may also provide corridors that allow non-native species to propagate and expand their range into previously unconnected areas. The cost of prevention is far lower than the cost of removal and existing planning and licensing conditions, advised by HRA and EIA, consider the need for monitoring and corrective actions if undesirable impacts (e.g., invasive species) occur. Loss of these regulations could remove the ability of regulators to justify such safeguards.

The Welsh Government therefore has an important role to play in ensuring the revocation and reform of retained EU law in devolved areas. For example, where proposals impact or hinder the delivery of Devolved legislation (E.g. the Future Generations and Wellbeing act), Welsh Government should have right to veto changes that would result in a lowering of standards.

While understandable given the resource implications for doing so, Welsh Government's decision not to carry out its own assessment of REUL, including not forming its own view on what is devolved and reserved potentially hinders the Welsh Government's ability to respond and challenge proposals made under the REUL bill. However, it should also be noted that the deadlines imposed by the bill provide a significant risk of their own, drawing Welsh government resource away from the implementation of planned or existing policies or legislation designed to improve the natural environment of Wales. Given the apparent limitations of Defra to fully review the extent of the implications of the REUL bill to UK Legislation, it would be unfair to expect Welsh Government to complete a similar review of its own.

We share the concern that the bill may introduce new limitations for the Welsh Government, which wants to improve pre-Brexit standards. The ambitions set out in the recent biodiversity deep dive set a clear agenda for improvement. In contrast the REUL bill, if implemented as proposed, would not only undermine those ambitions, but actively hinder them.

It is therefore imperative that the Welsh Government's plays an active role in the planned UK Government's joint review, ensuring the scope of regulation-making powers granted to the Welsh Ministers by the Bill not only include scrutiny procedures attached to those powers, but also the power to improve standards as required.

Examples of where existing powers could be strengthened;

1. Existing regulations and legislation could be strengthened to meet or exceed current EU derived standards by ensuring that the environmental principles (including the "Precautionary Principle") contained within the Environment Act 2021 are strengthened and clearly defined for incorporation into all future amendments and replacements of current regulation and legislation to protect MPAs, priority species and habitats.
2. Ensure that planning and marine licensing decisions continue to be supported by HRA (possibly via enhanced MCZ assessment) and EIA
3. Protection of the UK MPA network could be strengthened through:
 - a. the provision of minimum legal standards for HRA and EIA
 - b. legislation to meet or exceed current EU derived standards defining environmental damage and the framework for preventing and remediating such damage from the oil and gas industry within UK legislation
 - c. Extend the ecosystem approach from the Fisheries Act (2020) to cover all forms of development assessment within the MPA Network, retaining Marine Strategy Framework Regulations as guiding criteria that must be met.

ⁱ HM Treasury. 2022. The Growth Plan 2022. His Majesty's Stationary Office.



Canolfan
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Wales Governance
Centre

Response to the Senedd Legislation, Justice and Constitution Committee Call for Views

Charles Whitmore, Research Associate, Cardiff University – Wales Governance Centre & Wales Council for Voluntary Action.

November 2022

About this evidence

This evidence has been written by Charles Whitmore as a part of the Wales Civil Society Forum project (Forum). This is a partnership between Wales Council for Voluntary Action (WCVA) and Cardiff University's Wales Governance Centre (WGC) funded by The Legal Education Foundation. Its aim is to provide a civic society space for information sharing, informed discussion and coordination in areas subject to legal, administrative and constitutional change stemming from the UK's withdrawal from the European Union.

WCVA is the national membership organisation for the voluntary sector in Wales.

The **WGC** is a research unit sponsored and supported in the School of Law and Politics, Cardiff University.

1. Introduction

- 1.1 Many thanks to the Committee for the invitation to submit views on the Retained EU Law (Revocation and Reform) Bill. I am doing so in my capacity as coordinator of the Forum project as civil society organisations we have engaged with in Wales and at the UK level have expressed serious concerns about many aspects of the legislation. The Bill's core function – to automatically repeal or to amend without parliamentary or public scrutiny a massive body of law, while transferring vast law-making powers to ministers, with little to no consideration of the devolved implications reflected in the drafting - is constitutionally extremely worrying. The bill will:
 - a. Transfer significant legislative powers to ministers at both the devolved and central levels. Even going so far as to allow Ministers to use the broad powers in clause 15 to amend provisions of primary law (by virtue of clause 12(2)b).
 - b. Create significant legal uncertainty.

- c. Likely lead to legislative errors and omission – potentially creating holes in the statute book which will require further legislative time to fix at a later date.
- d. Drain capacity from the Senedd, Welsh Government and civil society in Wales – an issue that is likely to be felt even more acutely at the devolved level.
- e. Empower the executives to enact policy change, either intentionally or by omission as a result of inaction - this is an entirely inappropriate means of reforming such a huge body of law. It is unclear how such a decision would be communicated, impact assessed, consulted on or challenged.
- f. Risk sunseting key rights and standards. The equality impact assessment¹ and the human rights memorandum² both note that in theory (UK Government reassurances notwithstanding) there is a risk of anti-discrimination protections and retained EU law (REUL) relevant to Convention Rights being caught by the sunset mechanism. The former explains that there are equality risks created by the Bill's provisions on departing from Retained EU case law, but that these are mitigated by the Human Rights Act section 3 duty on the courts to interpret domestic legislation in line with the European Convention on Human Rights (ECHR). **This ignores that the Bill of Rights Bill is also being considered by the House of Commons which will repeal this duty.**
- g. Undermine ordinary legislative procedures, parliamentary oversight, and civil society's role in scrutinising significant policy change by providing no time or mechanism by which the impact of the potential sunset, preservation, restatement, update, repeal or replacement of REUL might be assessed, scrutinised or consulted on.

1.2 In addition to the above, there are further concerns that relate specifically to the non-consideration and complexity of interactions with devolution which I will now focus on.

2. Impact on Wales' regulatory landscape and Interactions with the UK Internal Market Act (UKIMA)

2.1 There has clearly been very little consideration and consistency in the drafting of the Bill around its interaction with the institutions of devolution. Devolution is mainly considered at only two points across the Bill's various documents – less than half a page in the explanatory notes,³ and paragraph 36 of the Equality Impact Assessment.⁴

- a. The former notes that the bill's approach is consistent with other EU related legislation, that the devolved 'administrations' have been appropriately and proactively engaged with, that the Bill reflects a commitment to respecting the devolution settlements and the Sewel Convention and '**will not create greater intra-UK divergence**' (my emphasis).
- b. In contrast, the latter document recognises that the Bill is likely to lead to regulatory divergence but that this will be managed by the UK Internal Market Act and Common Frameworks. There is a vague reference to conversations having taken place in Whitehall (presumably without the Welsh Government) to ensure that the Bill does not '*change the*

¹ Retained EU Law (Revocation and Reform) Bill, Equality Impact Assessment, para. 27.

² Retained EU Law (Revocation and Reform) Bill, ECHR Memorandum, para. 8.

³ Retained EU Law (Revocation and Reform) Bill, Explanatory Notes, Paragraphs 58-61.

⁴ Retained EU Law (Revocation and Reform) Bill, Equality Impact Assessment, para. 36.

impact of the UKIM Act'. The impact assessment ends this argument noting that where divergence occurs, the UKIMA market access principles (MAPs) will apply in many areas. **This assessment is worrying and even misleading in several ways - I will take each in turn.**

The potential for and impact of regulatory divergence

- 2.2 As evidenced by the Equality Impact Assessment,⁵ it is extremely misleading for the explanatory notes to state with certainty that the Bill will not increase intra-UK divergence. On the contrary, the mechanisms in the Bill provide significant scope for divergence, including in many areas that could trigger the market access principles - for example, around food composition, labelling and environmental policy. In theory it is conceivable that different parts of the UK may choose to allow different pieces of REUL to sunset and/or make different uses of the restatement, update, repeal and replacement powers in clauses 12-16 across a large body of law. There may even be different approaches to re-instating the principle of supremacy and the general principles of EU Law, particularly considering Scotland's Continuity legislation.
- 2.3 The brief explanation provided on this in the impact assessment is extremely limited and one-sided. It notes only that the UKIMA will protect consumers and businesses from the resulting divergences. However, it fails to acknowledge that **there could be significant and unforeseen extra-territorial policy impacts arising from different uses of the vast delegated powers in the Bill in different parts of the UK by virtue of the UKIMA MAPs**. As was explored at the time of the UKIMA's passage through Parliament, this is likely to work against Welsh policy autonomy as decisions to sunset or amend REUL / assimilated law in England will have disproportionately more impact on the other parts of the UK due to England's economic weighting and the constitutional imbalances between the central and devolved levels. **As a result, it should not be the case that the UKIMA is the default mechanism to manage the effects of any piece of legislation**. There is an acknowledgement of the overriding and problematic nature of the MAPs in the choice to provide a limited role for Common Frameworks in the operation of the UKIMA. This provides a statutory role for intergovernmental relations in helping to manage potential regulatory divergences that may otherwise result in tensions.⁶
- 2.4 Yet, depending on the policy directions taken by the different governments in the use of the delegated powers in the REUL Bill, the legislation risks triggering the MAPs on a scale far beyond what was initially conceived. **In practice this means that governments and legislatures will need to be hyper aware of the policy intentions behind the use of these powers in different parts of the UK as this may well result in *de facto* limitations of competence.**
- 2.5 In one hypothetical example, EU Regulation 1169/2011 on the provision of food information to consumers establishes essential requirements on nutrition, allergens and country of origin information on food labelling. There are relevant pieces of REUL at the devolved and UK levels implementing these requirements (the Food Information (Wales) Regulations 2014). Using

⁵ There is a significant question as to why this Bill does not have a wider impact assessment. It is odd to see the equality impact assessment being used to consider wider regulatory impacts like potential interactions with UKIMA.

⁶ As experienced recently with the expansion of exceptions to the MAPs in relation to single use plastics using the procedure in section 10 of the UKIMA, which provides a role for common frameworks in the discussion of further exceptions.

clause 15, the UK Government could decide to lessen these labelling requirements – indeed these powers are clearly drafted with deregulation in mind. It would also be within the scope of the powers in the Bill for the Welsh Government to preserve the requirements without amending them at the devolved level. It should be noted, that it would not be possible to introduce any changes that might fall within the Bill’s extremely broad definition of an ‘increased regulatory burden’. However, even if maintained, labelling requirements are likely to fall within the mutual recognition principle of the UKIMA and, as a result, products originating in England would not be required to comply with the ‘preserved’ standards in Wales. They would need only comply with the amended ‘assimilated’ lower standard in England. This would invariably place significant pressure on policy makers in Wales to match the standard introduced by the UK Government to ensure a level playing field for producers in Wales.

- 2.6 Given the amount of reserved and devolved REUL that would need to be considered in such a short amount of time, its extraordinary breadth, the limited capacity available, and the lack of an effective system of intergovernmental relations to support such an in-depth joint analysis in so many areas, **it is likely to be impossible to consider the impact of all such potential divergences on Wales’ regulatory landscape while no policy direction is provided on how these powers might be used.** This is legal uncertainty on a constitutional scale.

The potential role of the Common Frameworks

- 2.7 The equality impact assessment (and questions provided to me by the UK Parliament Public Bill Committee) suggest that it is the UK Government’s view that if significant policy divergence were to arise from different uses of the Bill’s delegated powers, the Common Frameworks would be sufficient to manage this outcome.
- 2.8 It is the case that if there were no sunset date, a significant body of intergovernmental work should take place around the replacement of reserved and devolved REUL because there is scope for interaction with the UKIMA and there is a need to identify potential interactions and interdependencies between UK and devolved acts. This is very much in the spirit of what the Common Frameworks were intended to provide – intergovernmental cooperation based on trust and consensus in a shared space to facilitate meaningful policy differentiation. As a result, they have seen a measure of success,⁷ **but are unlikely to be an adequate mechanism to manage the level of disruption that could arise from the REUL Bill:**
- a. They were designed with a level of cooperation in mind necessary to facilitate the repatriation of competencies from the EU as examined in the framework analysis.⁸ The potential scale of divergence and tension that could arise from different uses of the

⁷ J. Hunt, T.Horsley, ‘In Praise of Cooperation and Consensus under the Territorial Constitution: The Second Report of the House of Lords Common Frameworks Scrutiny Committee’, 16 July 2022. Available at: <https://ukconstitutionallaw.org/2022/07/26/thomas-horsley-and-jo-hunt-in-praise-of-cooperation-and-consensus-under-the-territorial-constitution-the-second-report-of-the-house-of-lords-common-frameworks-scrutiny-committee/>

⁸ Cabinet Office, ‘Revised Frameworks Analysis: Breakdown of areas of EU law that intersect with devolved competence in Scotland, Wales and Northern Ireland’, April 2019. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/792738/20190404-FrameworksAnalysis.pdf

delegated powers in the Bill and of the sunset mechanism, from potentially asymmetrical instances of omission and from different approaches taken to supremacy and the general principles – would likely be far beyond what the common frameworks are capable of managing. A higher-level commitment to intergovernmental work on the basis of consensus would be required.

- b. There are gaps – some policy areas do not have common frameworks but do have REUL. Indeed the framework analysis identified only a minority of policy areas as requiring a common framework and left many others to rely on other mechanisms. If the common frameworks are expected to provide a formal role in managing divergence arising from the REUL Bill, it is unclear how policy areas without a framework would be managed.
- c. It is likely that different teams in the civil service at the devolved and central levels work on the common frameworks and REUL. Given the already significant capacity challenges, there are likely to be further practical issues around ensuring communication between relevant teams.
- d. Despite their successes, the Common Frameworks lack transparency and consistency. Furthermore, the timeline of the UK's withdrawal from the EU required them to enter force despite many being incomplete and provisional.

The Bill is out of keeping with the devolution, the spirit of the Sewell Convention and other pieces of EU withdrawal related legislation

- 2.9 Contrary to the claim in the explanatory notes, the Bill does not respect the devolution settlements or the Sewell Convention. Insufficient *a priori* engagement took place as evidenced by communications from the Welsh (and Scottish) governments. Even *a posteriori*, it is striking that the Welsh Government was not invited to give oral evidence alongside the Scottish Government to the Public Bill Committee. Indeed at his evidence session on 8 November 2022, Angus Robertson MSP, Cabinet Secretary for the Constitution, External Affairs and Culture at the Scottish Government, seemed to be placed in a position by the Committee to also present the views of the Welsh Government.⁹
- 2.10 The Welsh and Scottish Governments have both recommended against legislative consent yet given recent practice it seems likely that the legislation will be passed anyway. Furthermore, it grants law-making powers to the UK Government in areas of Welsh devolved competence that can be exercised without seeking the consent of the Senedd or the Welsh Government. The clause 16 power to update assimilated law, which does not appear to be time limited up to 2026, would give an indefinite power to the UK Government to update Welsh law where there is a 'development in scientific understanding'. This makes the bill asymmetrical in how it addresses devolution, as Schedule 2 places restrictions on devolved competence, preventing the use of powers by the devolved authorities, but it creates no parallel restriction or consent mechanism on the exercise of the ministerial powers by the UK Government in devolved areas.

⁹ Transcript available at: https://www.theyworkforyou.com/psc/2022-23/Retained_EU_Law_%28Revocation_and_Reform%29_Bill/02-0_2022-11-08a.76.2

- 2.11 Also contrary to the statement in the explanatory notes, the absence of a consent mechanism makes the Bill out of keeping with other EU Withdrawal related legislation.
- e. For example, sections 6(7), 8(9), 10(9) of the UKIMA require the UK Government to seek the consent of Welsh Ministers when exercising relevant delegated powers.
 - f. The Withdrawal Act and its associated intergovernmental agreement provide a constitutionally sounder example of a consent mechanism. In the event of the powers to freeze devolved competence being exercised by the UK Government, the system required that the Llywydd be notified and that the relevant regulations be provided to the Welsh Government. The Senedd was to then be given an opportunity to consent. If the UK Government wished to proceed without consent, both devolved and central governments were to provide a written statement to the UK Parliament explaining why consent was denied. The UK Parliament could then decide whether to approve the regulations or not. **It is constitutionally egregious that no consideration is given on the face of the REUL Bill to seeking the consent of devolved authorities in the exercise of concurrent powers, which in the case of this Bill, are vast.**
- 2.12 Similarly, there are several issues with the power to extend the sunset as it is unclear why this is granted exclusively to the UK Government. While the government has noted that this is intended as a 'fail-safe', given the tightness of the deadline it is likely to be essential. It is equally worrying that directly effective rights derived from EU case law, EU treaties and EU directives will sunset in 2023 by virtue of clause 3 without the possibility of extension when it is entirely uncertain what the effects of this will ultimately be.
- 2.13 The mechanism in clause 1(2) to preserve from sunset does provide an option that is open to the Welsh Government, but it too requires that all devolved REUL be identified prior to the deadline. It is also far from ideal that it is subject to the negative procedure. The articulation and differences between the clause 1(2) and clause 2 mechanisms are not entirely clear, though it seems the latter may be usable in relation categories of legislation making it potentially broader. In either case, it is possible that the sunset deadline will lead to a rush to extend or preserve devolved REUL from the sunset and will be conducive to omissions and legislative mistakes, with potentially serious ramifications for the statute book and legal certainty.
- 2.14 Furthermore, the process is entirely inappropriate from the perspective of parliamentary scrutiny, as the Senedd will have no meaningful decision to make if presented *en masse* with a body of devolved REUL to preserve. The decision not to preserve would simply be too problematic. **The Senedd should have an ordinary legislative role in scrutinising the changes to REUL over a much more protracted timeline, wherein the merits of specific legislative reforms can be subject to considered debate, impact assessment and consultation. The sunset mechanism should be removed or changed so that instruments must be specified to be included within its scope such the decision to do so can be scrutinised. A mechanism akin to that in the Withdrawal Act should also be considered so that the Senedd has a scrutiny role where concurrent powers are being exercised by the UK Government in areas of devolved competence.**

3 Capacity concerns

- 3.1 The deadline created by the sunset in clause 1 will place enormous pressure on the Welsh Government and the Senedd as the timeline for identifying all devolved REUL is impossibly tight. **This is tantamount to the UK Government asking that Welsh legislative and executive priorities be put on pause while an entirely unnecessary exercise takes place that can only lead to significant legal uncertainty and tension between central and devolved authorities.** These capacity concerns extend to Welsh third sector organisations, who will struggle if any meaningful civic society scrutiny is to take place on the use of the sunset and ministerial powers. That such a large and unnecessary re-direction of capacity should take place while the country is grappling with the cost of living crisis, an energy crisis and the fallout from the war in Ukraine, is astonishing.
- 3.2 The Welsh Government has stated that mapping devolved REUL for the purpose of this Bill should not be placed as a burden on devolved authorities. While understandable on a political level, in practice if the Bill passes largely unamended, it will be crucial that devolved REUL be identified as comprehensively as possible, as the consequences of being caught by the sunset are severe.
- 3.3 The capacity pressures the Bill will create are not limited to the identification of devolved REUL however. Significant intergovernmental coordination is needed to ensure that cross-border policy implications are identified and considered jointly prior to any decisions to sunset, restate, amend or repeal specific instruments. Dialogue should also take place where changes to reserved policy areas using these powers would have significant implications in Wales (for example around potential changes to labour rights).
- 3.4 It is unhelpful that the dashboard does not identify relevant devolved REUL as this means that devolved authorities are likely further behind in this process than the UK Government. They are likely also subject to even more acute capacity constraints. However, even if the Dashboard were to distinguish between devolved and reserved REUL, this would be of limited help as it does not go into the level of detail necessary to support a policy exercise of this nature and scale. Indeed recent work by the National Archives has highlighted just how incomplete it is as a database – noting that it has identified a further 1,400 pieces of REUL.¹⁰ Meanwhile, little to no consideration has been given in debates in the UK Parliament to the absence of devolved REUL from the database.

4 The scope of the new regulation-making powers and their scrutiny

- 4.1 The bill will transfer vast amounts of law-making powers from the legislatures to the executives with no meaningful scrutiny, consultation or impact assessment process – **this is constitutionally inappropriate regardless of the level of governance at which it takes place.** It undermines both the role of the Senedd and the democratic scrutiny role provided by wider civic society. Clause 12 (2) (b) would even allow Ministers to amend provisions of primary legislation using the already extreme powers in clause 15. Furthermore, **it will enable, either by intention or**

¹⁰ See the Financial Times report on 7 November 2022. Available here: <https://www.ft.com/content/0c0593a3-19f1-45fe-aad1-2ed25e30b5f8>

omission, Ministers to enact policy reform by inaction. It is unclear how, or even whether given the tight deadline, the intention to allow a piece of REUL to sunset would be communicated, let alone challenged.

- 4.2 Clause 15 is particularly egregious in two regards. Firstly, it is striking in the breadth of powers given to ministers who would be able to revoke and replace REUL with any alternative they consider 'appropriate'. Secondly, despite political reassurances, the tone and mechanisms of clauses 15(5) and 15(10) are clearly deregulatory.
- a. Clause 15(5) would place a limitation on the Welsh Government's ability to use the delegated powers in Clause 15 to make any changes that could be interpreted as increasing the 'regulatory burden'.
 - b. Meanwhile, clause 15(10) establishes an incredibly broad (and open ended) definition of what can amount to a regulatory burden. This includes for example 'obstacles to efficiency, productivity, or profitability', 'financial cost' or even an 'administrative **inconvenience**'. It is unclear how differences in interpretation might be discussed and addressed around these definitions. What one authority considers a burden, another might consider a higher regulatory standard. This would effectively prevent regulatory standards being raised using these powers which, it is important to remember, are exercisable by the UK Government unilaterally in areas of devolved competence. Ordinary legislative processes could be used to re-establish or raise standards, however, there are concerns around legislative time, capacity, and the potential risk of entrenchment of any changes that might be introduced using these ministerial powers.

Retained EU Law (Revocation and Reform) Bill

Written Evidence for Legislation, Justice and Constitution Committee, Senedd Cymru/Welsh Parliament

Professor Jo Hunt, Cardiff School of Law and Politics, Wales Governance Centre

Please find my response to selected questions suggested in your call for evidence. I have focused my responses in particular on the constitutional consequences of the Bill and its impact on devolved competence. I would be happy to discuss any of these, and other issues raised by the Bill with the Committee.

The Bill's impact in Wales – General Comments:

The Retained EU Law (Revocation and Reform) Bill (hereinafter REUL Bill) is the most recent in a line of Westminster legislation dealing with the domestic legal and constitutional consequences of the UK's withdrawal from the European Union.

The Bill follows in the same vein as the EU (Withdrawal) Act 2018, and the UK Internal Market Act 2020 in that it provides new challenges to the effective operation of devolved competence, in part in the apparent pursuit of ensuring cross-UK regulatory consistency following the end of EU membership which brought with it a large body of common, harmonised (though not necessarily identical) regulation.

An additional aim appears to be to facilitate the pursuit of a deregulatory agenda, on which there may be different views across the Governments of the UK. Further the Bill seeks to limit regulation which creates obstacles to trade, which, if interpreted to mean intra-UK trade, could have significant repercussions for devolved regulatory competence.

The approach of the proposed legislation does nothing to support the more collaborative and cooperative intergovernmental modes of governance that might operate across the UK, i.e. through the common frameworks process. The frameworks process was introduced as a means of managing (which includes, where appropriate, accommodating) regulatory divergence. There is no acknowledgement in the Bill of the fact that the existing regulations that fall within the scope of the powers to restate, revoke or replace, may form part of a framework. Under the agreed process for the operation of frameworks however, any proposed change in policy and amendment to the law should be raised with the other governments. None of the powers under the Bill come with a trigger for the frameworks process to be engaged. The approach of the Bill risks undermining the frameworks process.

Additionally, the ideologically-driven commitment in the Bill to a sunset clause for retained EU law (except that transposed by Act of Parliament or the Senedd) places resource pressures on Welsh government departments, requiring them to work through the options of restating, replacing, or rejecting existing legislation, and up against a deadline not of their making. The Welsh Government's existing programme of government will not have taken into consideration the resources required for this exercise.

The Bill provides for concurrent powers for UK and Welsh Ministers to restate, revoke or replace the law within areas of devolved competence. The absence of any requirement to seek consent from Welsh Ministers (or the Senedd) before UK Government Ministers can exercise powers in areas of devolved competence is out of line with previous Brexit legislation, and appears anomalous, and without clear justification.

To what extent might the Bill impact Wales’ regulatory landscape?

The operation of the powers under the Bill has the potential to generate a number of unwelcome impacts on Wales’ regulatory landscape. The potential for *either* government to take actions that restate, revoke or replace existing regulations within devolved competence may create uncertainty, and complexity for those seeking to navigate the statute book applying to Wales.

Further, any attempt to that the Welsh Government may make to improve pre-Brexit standards will engage the requirement in clause 15 (5) that any replacement regulation does not increase the regulatory burden – which is defined in clause 15 (10) as including (among other things)— (a) a financial cost; (b) an administrative inconvenience; (c) *an obstacle to trade* (my emphasis) or innovation; (d) an obstacle to efficiency, productivity or profitability; (e) a sanction (criminal or otherwise) which affects the carrying on of any lawful activity.

This formulation differs from the definition of burden in the Legislative and Regulatory Reform Act 2006, as the Bill includes ‘an obstacle to trade’ – which might be read as a limitation on the exercise of competence where this may result in regulatory divergence that may impact on intra-UK trade flows. Importantly, if it is interpreted in this way, this would go further than the already problematic UK Internal Market Act, which impacts the effects but not legal capacity to regulate.

The Bill ties the devolved governments to an agenda that has been set elsewhere, cutting into the operation of devolved competence, regardless of policy commitments the Welsh Government might have made.

The Bill should be amended to provide either for the removal of UK Government ministerial powers within areas of devolved competence, or for a consent requirement by at least the Welsh Government for the exercise of these powers. Further, the ‘impact on trade’ provision in clause 15(10) should be removed, or more broadly the requirement that the regulatory burden is not increased should be excluded from applying to law making by the devolved legislatures and ministers, within devolved competence.

Implications arising from the potential deadlines introduced by the Bill

The initial deadline for action before the operation of the sunset revoking existing retained (and subsequently, assimilated) EU law is set at ‘the end of 2023’ (Clause 1(1)). This may be extended, to the end of 2026, but the Bill only gives this power to extend to a UK Minister (Clause 2). There is no clear justification why that power is not also given, for law within devolved competence, to Welsh Government ministers.

The date selected for the operation of the sunset does not appear to have been reached on the basis of the feasibility of the task at hand. The true extent of retained EU law within the UK

legal order is a live question, and there is further a lack of detail about measures falling within devolved competence. Against this background, there is an understandable concern that legislation may be sunsetted inadvertently, due to a lack of knowledge.

If a sunset clause is to be incorporated, then it should reflect a more realistic time scale, and should also apply only to positively identified measures, to avoid unforeseen gaps with possible unexpected consequences.

Professor Jo Hunt
Cardiff, November 2022.



Ein cyf/Our ref VG/811/22

Llywodraeth Cymru
Welsh Government

Paul Davies
Chair
Economy, Trade and Rural Affairs Committee
Welsh Parliament,
Cardiff Bay,
Cardiff,
CF99 1SN

14 December 2022

Dear Paul

Thank you for your letter on the 25 November in relation to the UK-New Zealand Free Trade Agreement and the potential impacts on Wales. I have responded to each of your recommendations below.

Recommendation 1: The Welsh Government should make the same representations in relation to the New Zealand trade agreement as the Committee recommended in relation to the UK-Australia FTA. The Committee also asks that it be informed of any past and future discussions the Welsh Government has with the UK Government on this issue.

Welsh Government officials continue to engage proactively with UK Government officials on the progress being made to implement the New Zealand FTA. I note the committee's request and will continue to keep the committee informed of discussions the Welsh Government has on these issues.

Recommendation 2: We recommend that the Welsh Government works with businesses to identify and exploit opportunities presented by the FTA, including the sectors referred to by the trade experts in their evidence to the Committee.

Our Welsh Government Export Plan includes a commitment to: *'Ensure our exporters are prepared for any new trading environment (requirements) with the EU, following the ending of the transition phase following the UK's exit from the EU and any other new free trade agreements'*.

To deliver this commitment, the Welsh Government has a number of ways through which we directly engage with businesses, and we will use these existing structures to identify and exploit opportunities presented by FTAs. We are confident that we, along with the export eco

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

system in Wales, have the necessary programmes in place to integrate the requirements for FTA implementation. As FTAs come into force, they will become an integral part of the export support system.

The Welsh Government export programmes offer a varying level of support to Welsh companies. In addition to Welsh Government support, Welsh companies can also access support from the Department of International Trade (DIT).

Welsh Government support is based on providing one-to-one and one-to-many support. Welsh Government export programmes can provide bespoke services to Welsh companies on the specifics of FTAs for goods & services. Webinars focusing on specific key markets include FTA countries/regions. Existing Welsh Government export programmes that can tie in with FTA implementation include:

- **International Trade Development (ITD)** – Support to identify market opportunities/market intelligence. Identify FTA specific requirements for goods and services.
- **International Trade Opportunities (ITO)** – In-market assistance to gain deeper regulatory knowledge and identify business partners
- **Overseas Business Development Visit (OBDV)** – Financial support to Welsh companies to visit FTA markets (eligibility criteria apply)
- **Welsh Government Trade Missions** – WG trade missions have highlighted in the 2022/23 programme several FTA countries: Australia, Canada, South Africa, Qatar, Mexico, Japan & UAE - [Business Wales - Export - Overseas Events](#)
- **Welsh Government Food and Drink Export Plan:** [Export Plan](#)
- **Welsh Government Food and drink mission programme:** [Food and Drink Mission Programme](#)
- **Webinar programme** – Highlighting FTA opportunities in specific markets: [Webinars | Business Wales - Export](#)
- **Export Cluster Programme** – Focus on key Welsh sectors with specific market opportunity focus. [The Export Cluster Programme | Business Wales \(gov.wales\)](#)
- **External events/presentations** - Opportunity to promote FTA's
- **Export Hub** – Reports and tools to support Welsh companies export journey - [Export Hub | Business Wales - Export \(gov.wales\)](#) Provisions are in place to include information on FTA's.
- **Welsh Government overseas offices** – Welsh Government has overseas offices placed in FTA countries, which can support Welsh companies.

Recommendation 3: The Committee requests that it receive regular updates from the Welsh Government on monitoring activities related to the FTA. The Committee also requests an update on discussions it has had with the UK Government following its request for more detailed trade data for Wales to aid analysis in this area.

We note the committee's request and can confirm we have submitted a request to the Office for National Statistics (ONS) for access to detailed trade in goods data for Wales. We are currently awaiting confirmation of whether access will be granted. Without this data, the Welsh Government is constrained in its ability to produce detailed Wales specific analysis. We will update the committee of any developments in this area.

Recommendation 4: The Committee calls on the Welsh Government to make immediate representations to the UK Government to ensure it has representation on the Animal Welfare Working Group established under the FTA, and that the Committee be kept informed on the work of this group.

As Animal Health and Welfare are devolved responsibilities Welsh Government has the right to contribute at this and other forums. Officials in the Office of the Chief Veterinary Officer lead on this activity and our representation includes contributing to the agenda, papers and briefings and to be able to request attendance at committee meetings. There has already been good engagement with DEFRA on some of the committees established under FTAs, including good engagement on the SPS committee meetings for the UK-EU TCA. We will continue to work alongside DEFRA colleagues to ensure that Welsh Government officials are afforded every opportunity to have meaningful engagement and representation at the committee established under the NZ FTA as well as other groups / committees as the FTA programme evolves. We note the committee's request to be informed of the work of this group.

Recommendation 5: The Committee asks that it be kept updated on discussions relating to expanding UK Government engagement with the Welsh Government during the negotiations so that they also include engagement on areas that may have a material impact on devolved policy areas.

Engagement with DIT has improved over time, including in areas that have an impact on Wales but are viewed as reserved, such as market access. The Welsh Government and UK Government have recently agreed an enhanced information sharing agreement for FTA negotiations which should further improve the engagement we have with DIT. New arrangements will be put in place in the new year and officials are waiting to better understand how these arrangements will work in practice.

Recommendation 6: The Committee requests that it be updated on any discussions and representations made by the Welsh Government to the UK Government on the matter of agreeing new GIs with New Zealand

We note the committee's request and will provide the committee with updates on discussions and representations made by the Welsh Government to the UK Government on the matter of agreeing new GIs with New Zealand. At this juncture with the FTA still awaiting ratification and implementation there are no ongoing discussions on this issue.

Recommendation 7: We ask that the Committee be updated on any progress made in agreeing a role for the Welsh Government in the governance arrangements of the Australia and New Zealand FTAs.

Welsh Government officials have good engagement with DIT officials on International Trade issues. The next phase of this engagement will focus on the implementation of agreed FTAs including Australia and New Zealand. DIT have agreed that subject to discussion by both parties, Welsh Government officials can request to attend the committees set up as part of FTA implementation, where they have a particular interest. We will continue to ensure we engage on the UK Government work on committees and other governance structures associated with FTAs as they are established.

Yours sincerely,

A handwritten signature in black ink that reads "Vaughan Gething". The signature is written in a cursive, flowing style.

Vaughan Gething AS/MS
Gweinidog yr Economi
Minister for Economy

Huw Irranca-Davies
Chair
Legislation, Justice and Constitution Committee
Welsh Parliament
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16 December 2022

In order to assist the Committee in the ongoing process of Stage 1 scrutiny of the Agriculture (Wales) Bill, I want to provide points of clarification on a number of other matters relating to the 21 November evidence session to assist the Committee in considering their report.

Consultations

I stated “we've done several consultations, and we've had those three consultation exercises and also the White Paper”. To clarify my meaning, there have been three formal consultation exercises; Brexit and our Land (2018), Sustainable Farming and our Land (2019) and the White Paper which focused on future Welsh agricultural policy. In addition, we have recently concluded the survey, workshops and interviews which formed the second round of co-design for the Sustainable Farming Scheme (SFS) and intend to publish a full report in 2023.

Sustainable Land Management

We discussed the objectives which are on the face of the Bill (section 1) and the meaning of Sustainable Land Management (“SLM”) at the Committee, if I provide a fuller response and expand on those objectives and the duty placed on Welsh Ministers below for information.

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The SLM objectives are as follows:

- (1) The first objective is to produce food and other goods in a sustainable manner.
- (2) The second objective is to mitigate and adapt to climate change.
- (3) The third objective is to maintain and enhance the resilience of ecosystems and the benefits they provide.
- (4) The fourth objective is to conserve and enhance the countryside and cultural resources and promote public access to and engagement with them, and to sustain the Welsh language and promote and facilitate its use.

In each case, in doing so is to (a) to meet the needs of the present without compromising the ability of future generations to meet their own needs, and (b) to contribute to achieving the well-being goals in section 4 of the Well-being of Future Generations (Wales) Act 2015.

The SLM duty (sections 2 and 3) requires certain functions¹ to be exercised in a particular way - i.e. in the way the Welsh Ministers' consider best contributes to achieving the SLM objectives. This serves to focus action to contribute to achieving particular outcomes. It is a high threshold, and in so doing, this requires the exercise of discretion in the way the Welsh Ministers' consider best contributes to achieving the SLM objectives (in the round), so far as consistent with the proper exercise of the function.

The SLM duty and objectives are supplemented by detailed monitoring and reporting provisions, which include provision for indicators and targets to be prepared, published and laid before the Senedd. The indicators and targets will enable progress to be measured, which in turn will be used to assess and report on the progress made towards achieving the SLM objectives. In preparing or revising indicators and targets, the Welsh Ministers must consult the Future Generations Commissioner for Wales and any other persons they consider appropriate. The first report must be published and laid before the Senedd no later than 31 December 2026, and subsequent reports must be published and laid before the Senedd at least every 5 years. Together, these monitoring and reporting provisions are intended to provide important evidence for policy development, and effective participation and scrutiny by the Senedd, stakeholders and the wider public.

I would also re-iterate the “made in Wales” legislation which has informed the development of SLM (in particular, the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016), and the policy response to the climate and nature emergencies declared by the Senedd.

Further, to clarify for the committee, the SLM provisions provide a framework for the exercise of certain functions, and those functions, including the power to provide support, must be exercised in a way that is consistent with the SLM duty, but the SLM provisions are not the basis on which support would be provided.

¹ The functions referred to are, (a) functions under the Act, (b) functions under any other enactment that require or allow the Welsh Ministers to provide support for (i) agriculture, or other activities carried out on land used for agriculture, or (ii) ancillary activities; (c) functions under any other enactment that require or allow the Welsh Ministers to regulate (i) agriculture, or other activities carried out on land used for agriculture, or (ii) ancillary activities (section 2). This is subject to certain exceptions relating to the basic payment scheme as set out at section 3.

Section 32 and 33 Enforcement provisions

I highlighted the different enforcement provisions for different matters and I thought it may be worthwhile providing some examples to highlight why all the individual provisions are not on the face of the bill.

Some examples of current enforcement regulations which have been made using powers previously contained within European legislation include:

- Eggs and Chicks Marketing (Wales) Regulations 2010
- The Poultrymeat (Wales) Regulations 2011
- The Beef and Veal Labelling (Wales) Regulations 2011

These are all very different product types and represent only a few of those product types for which the provisions within the bill will provide the powers to marketing standards for. It is my view the provisions would be overly long on the face of the Bill to provide regulation for all of the products for which specific marketing standards apply.

The Schedule to the Bill provides a list of products for which marketing standards can be made, and although this list of products can be amended, this would be by way of regulations made under the affirmative procedure allowing for full Senedd scrutiny, as will the making of regulations setting out the enforcement regime for the specific subject matters.

Therefore, we have arrived at a framework which does contain a significant amount of detail, and a list of products for which enforcement regimes can be made as well as the flexibility to tailor that regime to the product type, with the scrutiny of the Senedd through the use of the affirmative procedure.

Likewise, carcass classification considers pigs, bovine and sheep. But these carcasses comply to different standards and so could potentially have different enforcement regimes around them.

Section 43 Glue Traps

I would also like to bring one other point of clarity to the committee's attention regarding the questions raised on Local Authorities (LA) consultation on Glue Traps. We did contact all 22 LA's but not all replied. Responses covered seven of the 22 Local Authorities in Wales were received to the targeted stakeholder consultation. Of these, five responded to state they rarely use glue traps and only in extremely limited circumstances.

Regards,

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

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

**Pwyllgor yr Economi,
Masnach a Materion Gwledig**

—
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Lesley Griffiths MS

Minister for Rural Affairs and North Wales, and Trefnydd

16 December 2022

Dear Minister,

As you will be aware, the Food (Wales) Bill was introduced to the Senedd by Peter Fox MS on Monday 12 December. The Bill has been referred to our Committee for Stage 1 scrutiny.

You have previously made clear that the Welsh Government does not support the Bill. During questions on 25 May 2022 you referred to the *Community Food Strategy* as a vehicle to bring forward proposals found within the Bill:

.... the Welsh Government is not backing Peter Fox's food Bill. Peter and I have met, and Peter's very well aware of the reasons why we're not backing the food Bill. I believe a lot of Peter's suggestions, which are very good, we can do without legislation, and I'd be very happy to continue to work with him and with Plaid Cymru as part of the co-operation agreement, taking forward the community food strategy, which I think will encompass a lot of the proposals in Peter Fox's Bill.

The Explanatory Memorandum to the Bill notes this commitment and highlights there is little information currently available on the *Community Food Strategy*.

We note the information on the Strategy provided in your paper to us in June 2022. However, for the Committee and our stakeholders to better understand the Welsh Government's plans in this policy area, to inform the Bill's scrutiny, we would welcome



updated details on the *Community Food Strategy* and any other relevant developing policy work.

Kind regards,

A handwritten signature in black ink that reads "Paul Davies". The signature is written in a cursive style with a large initial 'P'.

Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg | We welcome correspondence in Welsh or English.



Paul Davies MS
Chair
Economy, Trade and Rural Affairs Committee
Senedd Cymru
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19 December 2022

Dear Paul,

Thank you for your letter of 28 November, regarding sheep meat and marketing standards in the Agriculture (Wales) Bill.

As you set out in your letter, the provisions in the Agriculture (Wales) Bill allowing the Welsh Ministers to make marketing standards regulations have their origin in Regulation (EU) 1308/2013, the CMO Regulation, now retained EU Law by virtue of the European Union (Withdrawal) Act 2018. The list contained in this regulation of agricultural products, for which specific marketing standards may be made, is the product of many years of discussions between the European institutions and industry. The mirroring of this list in Welsh legislation is not intended to reflect the importance of these products in comparison to others without particular marketing standards requirements.

Sheep meat is one of the key foodstuffs produced in Wales, being important to both our agricultural economy and our culture. Its labelling is governed by the Food Information to Consumers (FIC) Regulation 1169/2011, which also forms part of retained EU law. Article 26 and Annex XI of the FIC Regulation require there must be an indication of country of origin or place of provenance for sheep meat included in any labelling. This requirement is enforced by the Food (Information) Wales Regulations 2014 in relation to food business operators in Wales.

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You may have seen how clause 32(6) of the Agriculture (Wales) Bill does allow the Welsh Ministers to make amendments to Schedule 1 of the Bill, to add or remove products from the list. The list is deliberately non exhaustive to allow for future proofing of the agriculture sector and does not prevent other products being added.

In making any changes to marketing standards regulations, I would have to consider the impact of such changes on trade, both internationally and with the other UK nations. Were marketing standards to differ in Wales compared with the rest of the UK, we may see a situation where producers would have to comply with two sets of marketing standards rules. As such, any potential changes would have to be carefully considered to avoid creating barriers to trade and discussed in detail with the other governments of the UK.

The UK nations are currently working together on sheep carcass classification regulations to make standards more effective. The Welsh Government is collaborating with DEFRA and the Scottish Government to develop regulations which are designed to improve the efficiency of the market in sheep meat. While this will not affect the marketing standards of the end product sold to the consumer, it will mean farmers and processors can expect a consistent price based on the quality of their produce.

Regards,

A handwritten signature in cursive script that reads "Lesley Griffiths". The signature is written in a light grey or blue ink on a white background.

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

Mark Drakeford MS
First Minister

19 December 2022

Dear First Minister

Scrutiny of the financial implications of Bills

Thank you for your letter of 7 December, in response to the Finance Committee's request for the Welsh Government to revert back to the practice of providing a written response to Committee Stage 1 reports prior to the Stage 1 debate taking place.

It is disappointing that you are not able to give a commitment to this modest request. Your letter suggests that "it is during the Stage 1 debate that Ministers provide an explanation of the Government's response to the recommendations in each Committee report". However, we believe that this should not be considered common practice as it is not always possible for Ministers to provide a full and thorough response to each recommendation given the limited time available during the debate itself. As highlighted in my initial letter, it is standard practice that the Financial Resolution motion is taken immediately after the Stage 1 motion has been agreed. The Senedd therefore has very little time to consider the Government's response, before having to make a decision to commit resources.

You also state that there may be circumstances where more time is required to consider certain recommendations or where the detail needed to provide an informed response is not available in advance of the Stage 1 debate. Given that the timetables for Government Bills are proposed by the Welsh Government, with the Business Committee agreeing the deadlines for Stages 1 and 2, consideration should be given to moving away from the practice of voting on the Financial Resolution motion on the same day as the Stage 1 debate takes place. A similar decision was taken in the Fourth Assembly, reversing the default position to delaying voting on the Stage 4 motion until a week after Stage 3 proceedings had concluded, to allow Members the opportunity to consider the



final version of a Bill prior to the Senedd being asked to approve it. We believe the same principle should apply to the Financial Resolution motion. This would allow time for Members to reflect on the Welsh Government's response to the Finance Committee's report. We consider this to be particularly important given that there is no further opportunity for the Senedd to formally consider the financial implications of Bills after the motion has been agreed.

Finally, you state that legislation "may be novel" and that there may be "situations where multiple varying factors mean precise costings are not achievable until the provision is tested and assessed". The Committee acknowledges these challenges, however, it is not acceptable for the Welsh Government to simply not attempt to calculate the potential costs of legislation. The Regulatory Impact Assessment (RIA) is a key tool to critically assess a range of methods explored in relation to the development of a legislative proposal and to provide an evidence based approach to policy making-decisions. We recognise that "precise costings" may not always be possible but it is imperative that RIAs contain the best estimate possible for costs and benefits to enable us to fully scrutinise the overall financial implications of a Bill, a point we have made as a Committee on a number of occasions.

We find it regrettable that the RIAs that have accompanied Bills introduced so far this Senedd seem to be more of a "by-product" of the decision-making process, rather than the tool driving it. The latest Bill we considered, the Agricultural (Wales) Bill, is a framework Bill where a significant proportion of costs relate to a future Sustainable Land Management scheme that will not be finalised until next year. In these situations, the Senedd may end up agreeing a Financial Resolution to a Bill based on the information contained in the RIA on introduction that subsequently could escalate significantly. This lack of clarity makes our role as a Finance Committee very challenging and significantly hampers our ability to take a decision on whether or not costs are reasonable.

Should the Welsh Government continue to provide RIAs where information is incomplete or insufficient, it will leave the Committee with little choice but to compel Ministers to reappear before the Committee once the information requested is available to ensure the financial information provided by the Welsh Government stands up to robust scrutiny.

As you are aware, a number of Senedd Committee have raised similar concerns regarding the timeliness of Welsh Government responses ahead of Stage 1 debates. This paints an unfortunate picture and calls into question the spirit in which the Welsh Government engages with the Senedd on legislative matters. I therefore ask you to reflect on the issues above and reconsider the Welsh Government's position of providing a written response to the Finance Committee's reports prior to the Stage 1 debate and to give consideration to tabling the Financial Resolution motion at least a week after Stage 1 has been



agreed. Given the current pressures on public finances it is more important than ever that the Welsh Government provides as much clarity and assurance as possible before Members are required to authorise spending arising from a Bill.

As these issues cut across Committee remits, a copy of this letter has been sent to the Chairs of all Senedd Committees.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peredur Owen Griffiths MS'. The signature is fluid and cursive, with a prominent initial 'P' and a long horizontal stroke at the end.

Peredur Owen Griffiths MS
Chair of the Finance Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.





Llywodraeth Cymru
Welsh Government

Our ref: RE/808/22

John Glen MP
Chief Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

12 December 2022

Dear John,

The review of the Energy Bills Relief Scheme (EBRS) provides the opportunity to ensure the Scheme is targeted to where support is most needed and that sectors have the certainty they need to plan. I enclose the Welsh Government's contribution to the review setting out our priorities, along with views from a range of stakeholders.

It is disappointing the Welsh Government was not engaged in determining the Review's Terms of Reference and I am concerned that the scope has been drawn too narrowly.

The high cost of energy is an acute issue for Wales because energy-intensive industries (e.g. mining, quarrying, and metal manufacturing) make a proportionately larger contribution to the Welsh economy than the UK average.

With no sign that energy prices will fall significantly in the short-term, support for non-domestic energy users must continue beyond March 2023 at a level that helps maintain the competitiveness of UK businesses and allows the public and third sectors to continue to deliver vital services, including for the most vulnerable.

Whilst excluded from the scope of the review, this is essential given that public spending is not increasing at the pace needed to absorb energy costs, alongside other pressures including inflation and pay. The Review must address this challenge and, if required, consideration should be given to the scope to further expand windfall taxes temporarily to ensure support can be maintained.

We recognise the need to target support. This targeting should be done using transparent criteria. Non-domestic users who use off-grid heating oil and Liquefied Natural Gas fuel sources should not be excluded from support.

More generally, a 'road map' setting out how support will evolve in the future will help non-domestic users navigate the extremely uncertain and challenging environment.

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

Changes to the EBRIS must be combined with other policies to address the long-term issues of decarbonisation and energy resilience including increased UK Government funding for investment in energy use reduction and improving energy efficiency by non-domestic users. The changes must also address the structurally high energy costs faced by industry in the UK compared with those of other European countries, with the negative consequences for competitiveness and investment decisions.

I am grateful for the constructive engagement between officials, and it would be helpful to discuss how our contribution has informed the outcome of the review at the next meeting of the Finance: Inter Ministerial Standing Committee.

This letter has been copied to Vaughan Gething MS, Minister for the Economy and Julie James MS, Minister for Climate Change.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The signature is written in a cursive, flowing style.

Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

WELSH GOVERNMENT COMMENTS ON THE REVIEWS OF THE ENERGY BILL RELIEF SCHEME (EBRS)

Introduction

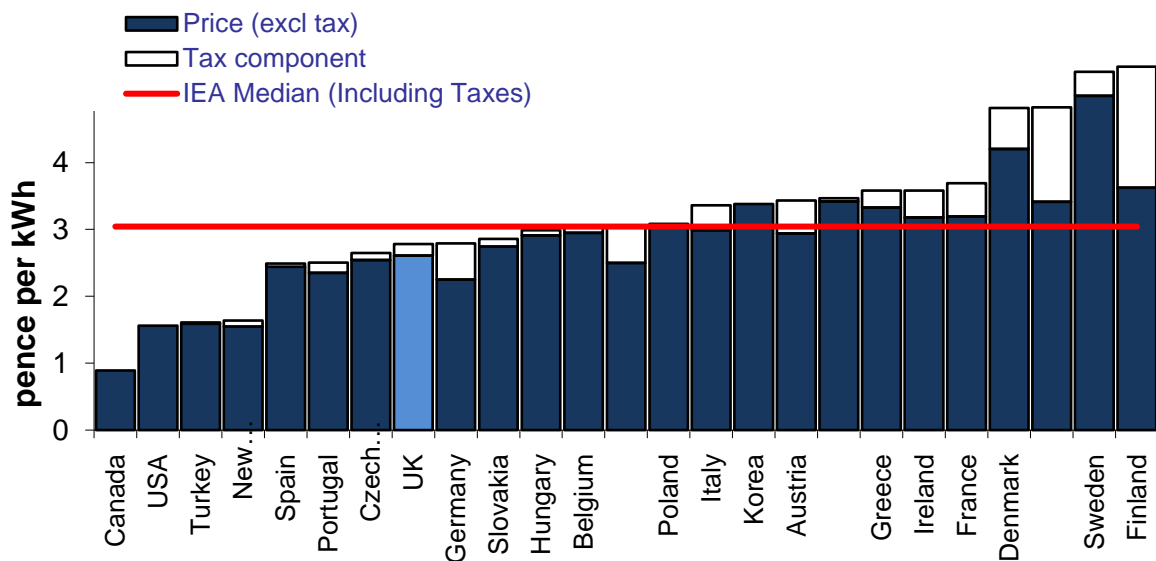
This note summarises feedback from a sample of the Welsh Government’s stakeholder on the operation and review of the Energy Bill Relief Scheme (EBRS)

Key issues raised by stakeholders include the scope and duration of the scheme, and comparisons with support in other countries. The issue of competitiveness with companies operating in other countries is particularly important to energy intensive industries.

Background

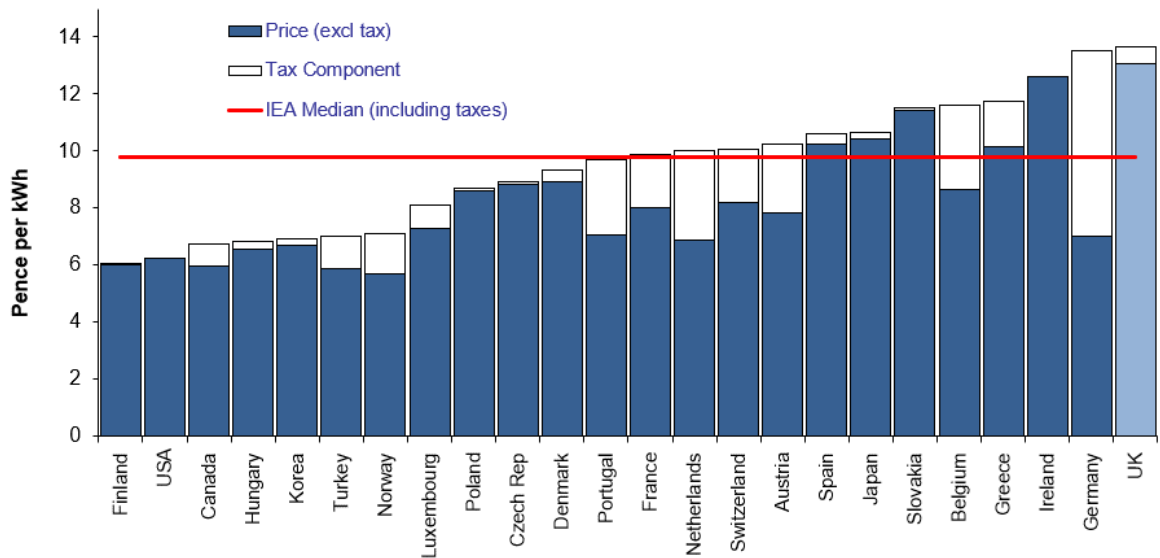
Latest official figures, show whilst industrial gas prices in the UK in 2021 were below the IEA median (Figure 1), industrial electricity prices in the UK were the highest in the IEA in 2021 (Figure 2).

Figure 1: Industrial gas prices in the IEA - 2021



Source: [International industrial energy prices, BEIS.](#)

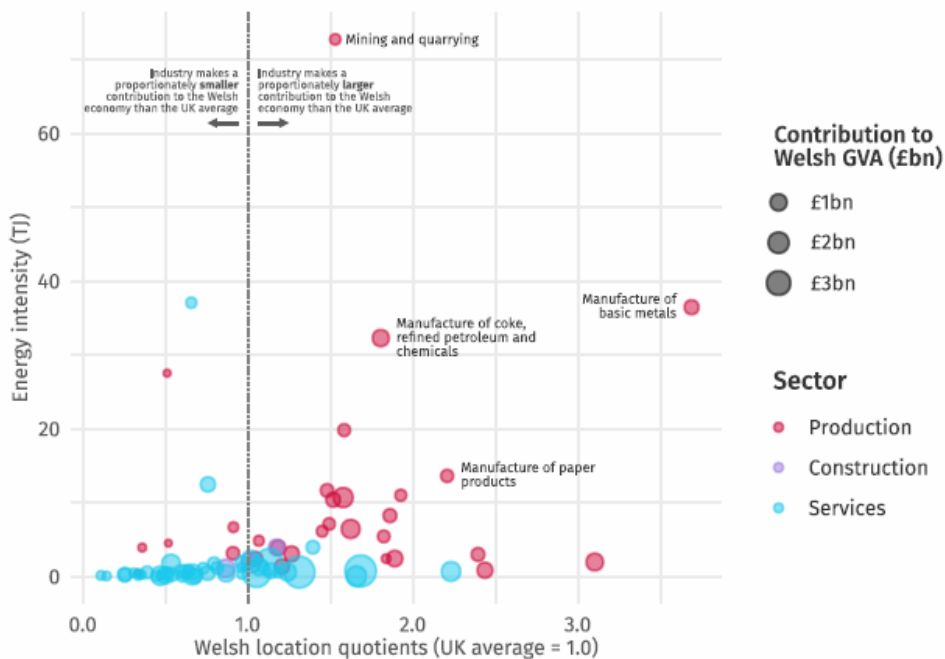
Figure 2: Industrial electricity prices in the IEA - 2021



Source: [International industrial energy prices, BEIS.](#)

Work by Wales Fiscal Analysis, Cardiff University illustrates the high cost of energy is a particular issue for Wales because energy-intensive industries (e.g., mining, quarrying, and metal manufacturing) make a proportionately larger contribution to the Welsh economy than the UK average.

Figure 3: Estimated energy intensity of Welsh industries and their contribution to the Welsh economy, 2020



Source: WFA analysis of ONS (2022) Energy intensity in the United Kingdom; ONS (2022) Regional gross value added by industry.

Notes: Energy intensity is calculated by dividing reallocated energy consumption by Gross Value Added (GVA). The energy consumption of Welsh industries is estimated by taking a share of the industry's UK-wide energy consumption equivalent to Wales's contribution to UK GVA for that industry. The location quotient is the ratio of each sector's share of GVA in Wales to that sector's share of UK GVA. A location quotient of more than one signifies that the industry makes a proportionately larger contribution to the Welsh economy than the UK average (specialisation in that sector). A location quotient of less than one signifies that the industry makes a proportionately smaller contribution to the Welsh economy than the UK average (under-representation in that sector).

The latest wave of the ONS's [Business Insights and Conditions Survey \(BICS\)](#) shows the cost of energy is the biggest concern for businesses in Wales. 30% surveyed businesses not permanently stopped trading said energy prices are their largest concern (Figure 2), the second highest proportion of all the UK countries and regions.

Figure 4

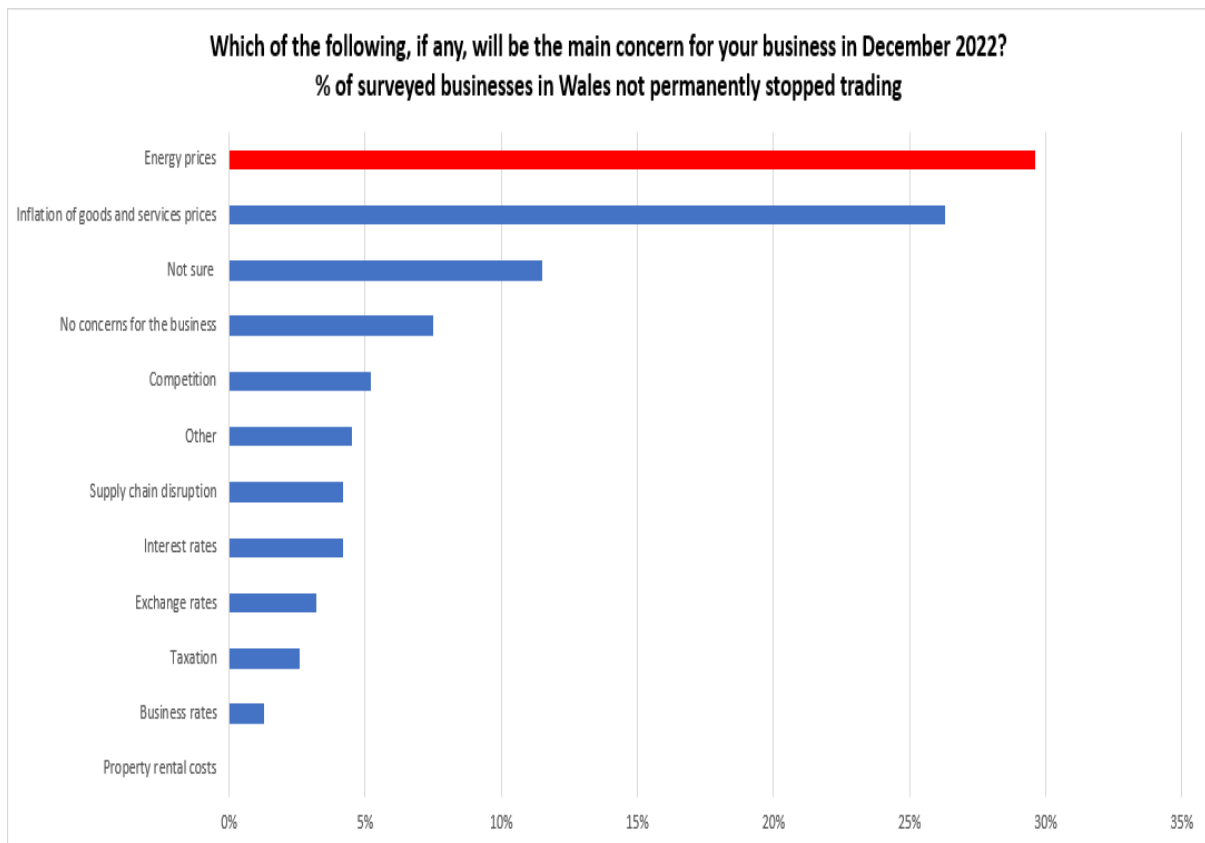
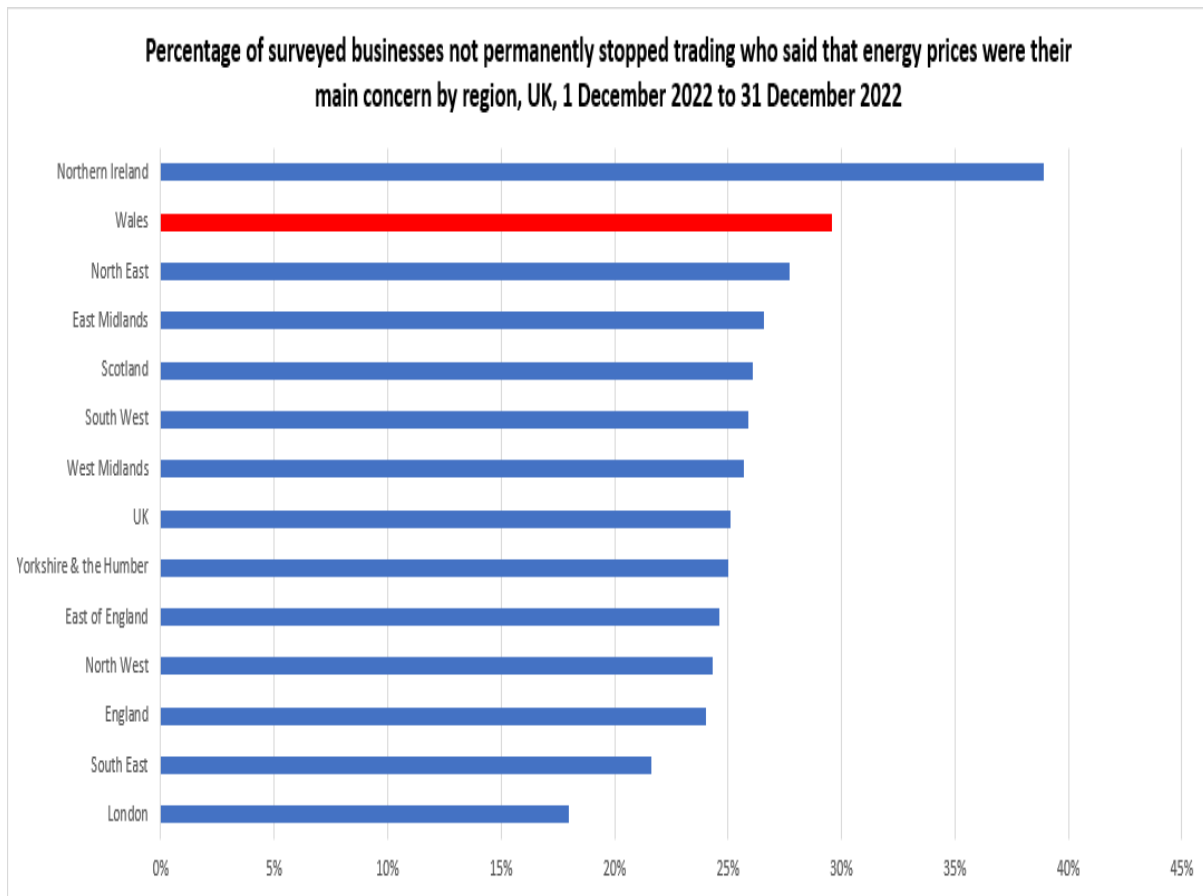


Figure 4



What do stakeholders in Wales want to see from the review?

1. Short- and long-term needs be considered

With no sign that energy prices will fall significantly in the short-term, support for non-domestic energy users must continue beyond March 2023 at a level that helps maintain the competitiveness of UK businesses and allows the public sector and charities to deliver vital services.

The Welsh Government is supporting businesses, especially SMEs and micro-businesses to become more energy efficient and to generate their own energy on-site, where practicable. This is being supported by the Development Bank of Wales (DBW) which hopes to launch a loan scheme to support decarbonisation initiatives early in 2023.

Whilst energy policy is a non-devolved matter, Welsh Ministers have raised with the UK Government, on several occasions, the high energy costs faced by industry in the UK compared with those of other European countries. These have potential negative consequences for competitiveness and investment decisions.

- i. Changes to the EBRS must, in conjunction with other policies, support businesses become more energy resilient, where practicable.
- ii. The transition from fossil fuels to renewable sources to decarbonise the economy in line with commitments and obligations.

2. A Level playing field for Welsh Business

The current outlook suggests that matters impacting on energy prices, including the Ukraine situation, will not change in the short term and businesses will need ongoing support beyond March 2023, and at a level comparable with that being offered by other governments internationally. For example, in Germany the equivalent support scheme for Energy Intensive Industries places a cap on 70% of industrial electricity prices throughout 2023 and Spain and Portugal have introduced a price cap for gas for 12 months.

- 3. Transparent criteria for deciding who is eligible for support.** High Intensive industries will need support whether large or small.
4. With no sign that energy prices will fall significantly in the short-term, support for non-domestic energy users must continue beyond March 2023 at a level that helps maintain the competitiveness of UK businesses and allows the public sector and charities to deliver vital services.
- 5. A ‘road map’ setting out how support will evolve in the future,** including how and when support will be withdrawn, to help Non-Domestic users plan.
- 6. Greater transparency in how revenues from environmental measures are used to support energy efficiency.** Welsh businesses contribute disproportionately to the revenues generated by the UK ETS. We should have more clarity on how revenues from the ETS and other measures are being used to improve energy efficiency. Lack of transparency makes it hard for us to defend measures to those who view them as punitive taxes.

The scope of the review of the EBRS includes businesses but not public sector bodies:

“Public sector organisations will not be eligible for support through the review. The review will however consider private sector firms which are providers of public services and voluntary sector organisations such as charities.”

Whilst excluded from the scope of the review, we consider it of critical importance to the provision of essential public sector services in Wales that relief on the cost of energy is a priority across the public sector in Wales.

ANNEX 1: Distinct Views

Food and Drink Sector

Food and drink colleagues within Welsh Government have raised concerns about businesses which are not on mains grids but which use LNG as their fuel. One company in this position has calculated the potential impact on it.

“On the assumption that the energy price cap for LNG would be similar to mains gas, then the energy cap would be worth £660k to us in Q4 2022. Our supplier Flo Gas cannot confirm whether this price cap would apply therefore we are in a current position of not knowing whether we will have a £660k hole in our finances just for Q4 2022”.

Food and drink colleagues are urging that those businesses using LNG are treated in a similar way to those heating oil.

Many food businesses are concerned about energy price increases and other input inflation which is happening across the board. There has been some collection of anecdotal evidence but no survey work (see points below). What the anecdotal stuff shows is typical of the wider UK scene as reported in the trade press. Until the summer, big retail and wholesale was pushing back hard on producers putting the case for price increases but that has changed now as it is widely accepted the position was unsustainable. Consequently there are price rises happening across the board with food price inflation in double digits and set to stay that way.

A medium size Bakery business has informed us that their electricity costs are going up from £72,996.38 to £277,655.98 for the same quantity of electric a year. As a growing business they predict further cost. Their current contract ends in February, and still haven't found a suitable supplier. They have also needed to change over from oil. They used to be able to use red diesel (gas oil) but the change in legislation now means they have swapped to use kerosene. This has increased fuel costs from 72p a unit to 81p a unit. They currently use around 10,000 litres a month. Off grid fuel use is not covered by the current cap.

Another medium sized Welsh bakery, employing c:100 FTE has gone into administration, citing the dramatic rise in fixed costs.

It is understood that the energy CAP is paid in arrears after costs incurred and businesses concerned about the pressures on cashflow in the interim.

Some businesses are reporting delays in receiving monies from the EBRF. There is also one company that has gone to a four-day week due to rising electricity costs.

They are not reporting a negative impact on their business and are considering adopting permanently.

The Business Energy Cap has certainly made a difference. A large cereal manufacturer stated that without the cap, they would certainly have ceased trading. However, there was still concern regarding the end of the cap and the inability to pass costs on to customers.

Two large employers in particularly rural areas have stressed the difficulty in filling vacancies, especially lower paid roles. Both businesses have laid on transport for employees due to the cost of commuting and the need to recruit from larger centres of population which could be 50+ miles away. The cost to the businesses is considerable (one citing £300k and rising). The length of the journeys (up to 4hrs per day) due to multiple pick-ups and convoluted routes meant that staff retention was difficult. The business separately suggested that support for employee transport would be very welcome with a dedicated scheme to collaborate across North Wales to bring costs and journey times down, cars off the road etc.

One of our great claims regarding food manufacturing in Wales has been it is spatially spread across the whole of Wales. This may well change if labour necessitates relocation nearer to centres of population.

Regards funding support for food businesses, this is an issue across industry and not just the Food sector – Food Division don't have any revenue support schemes or budget to offer such support. The Food Business Accelerator Scheme (capital grant scheme) has been launched. One of the key aims of the scheme is to support innovation and improved efficiency/more energy efficient processes etc. so it will be interesting at this point to see if/how energy/cost of living costs have impacted on businesses and whether it impacts on their ambitions for growth and investment

Broadly speaking the energy use / position of a food business in Wales is going to be the same as pretty much anywhere else in the UK. There may be some off the gas grid, but relatively speaking these are going to be micro businesses so relatively small in the grand scheme of things.

The issues otherwise are going to be these (a) what proportion of their operating costs is energy (and how has that changed); (b) have they fixed their energy costs or not; (c) how energy intensive is their product/s (and that depends on what they are making and also how efficient they are at making it and (d) how successful they have been in winning price rises from customers and suppressing price increases from their own suppliers.

Federation of Small Businesses

The FSB has provided the following response:

<https://www.fsb.org.uk/resources-page/fsb-report---energy-bill-relief-scheme-review--november-2022.html>

The associated press release:

<https://www.fsb.org.uk/resources-page/stay-vigilant-with-energy-suppliers-to-ensure-small-firms-are-not-overpaying-government-urged.html>

Net Zero Industry Wales

The key messages from Net Zero Industry Wales are:

The relief scheme shouldn't come to an end by March, as the prices will remain high whilst the war in Ukraine and associated Russian economic measures, continue. The current outlook is that this will not change anytime soon and therefore businesses will need ongoing support / relief beyond March 2023.

The replacement scheme needs to be targeted to ensure that it's aligned with other European schemes. This is to prevent an unlevel playing field arising that further increases the economic pressure that businesses are under. In particular for the industries and other businesses that operate in a European and/or Global competitive market.

Some individual member comments are:

- EBRS should not just stop at the end of March, prices are still massively elevated and pressure will continue to be felt both on our own energy prices and the cost passed on to us from our suppliers.
- We should ensure that whatever European schemes are in place, that cover like for like industries, that similar are provided for UK companies so we are not disadvantaged. We shouldn't be disadvantaged versus more comprehensive European schemes.
- It was felt that the current scheme could have been better applied, and any continuation should have clarity of application, and certainty of discount, built in months ahead of its start.

- All commentary would suggest that the fundamentals behind the current crisis (no Russian supply) will not be alleviated until 2024 at the earliest and 2023 is likely to be more challenging than 2022.
- The current scheme was blanket coverage and designed on the hoof. Any new scheme/extension to the existing scheme should be better targeted/thought out.

It is good that action was taken with the EBRs to help industry with the cost escalation. The introduction of the EBRs certainly seemed to calm the extremes of the electricity market. The EBRs may or may not be continued for energy intensives after March. This does not give any confidence re forward planning. It is likely to be a further few weeks before we hear whether we are considered vulnerable and therefore in need of being included in any extension.

We do not operate in an isolated market. For us, the UK is not ring-fenced. Much of our competition comes from near (EU) countries. Schemes are being introduced which mean lower costs than the EBRs gives (e.g. in Germany) – BEIS are already aware of this and the need to ensure we have competitive energy prices. So, there needs to be flexibility around the scheme to reflect the competitive situation.

UK Steel – Steel Sector Reaction to EBRs

<https://www.makeuk.org/news-and-events/news/steel-sector-reaction-to-energy-bill-relief-scheme>

- Steel production and processing is an incredibly energy intensive process, with energy making up a substantial proportion of the cost of converting globally priced raw materials into finished steel products for consumers.
- The price of electricity directly impacts competitiveness and which price UK steel producers can sell their steel at on the global market. It also affects the ability to attract investment and, longer-term, to decarbonise.
- The UK steel industry's electricity use is equivalent to 800,000 homes, and gas use is comparable to 400,000 homes.
- Prior to the UKG's intervention [EBRs], UK Steel analysis showed that UK steel producers faced significantly higher electricity prices than their European competitors, with the price disparity skyrocketing since energy prices increased.

- The price cap is at 4-5 x the historical average, but the critical issue for the steel industry is competitive electricity and gas prices, in line with European and global competitors.

UK Steel's Electricity Price Comparison

As part of their [five-steel-sector-priorities-for-a-new-government---september-2022.pdf](#) UK Steel see that the number one priority is competitive electricity prices. The report provides the following statistical comparison to EU competitors.

Competitive electricity prices

- UK steel producers have long suffered the competitive disadvantage of having the highest industrial electricity prices in Europe, and the current energy price crisis has hugely exacerbated this situation with steel companies this year estimated to pay 30% and 70% more than their German and French counterparts respectively.
- This disparity is not sustainable, resulting in an estimated £300 million additional production cost for UK producers this year.
- It has demonstrably deterred investment from current and potential new UK steel plants and is now acting as a major barrier to decarbonisation as all low-carbon steel technologies are extremely electricity intensive.
- More urgently, UK power prices in recent months have risen to such an extent that UK steel producers are increasingly unable to produce steel at below market prices.
- The steel sector welcomes the initial steps the new government has taken to reduce business energy costs, but it is critical it now works with industry on what steps will be taken beyond this winter to ensure competitive prices for steelmakers as well as plans for fundamental reform of the wholesale market to deliver permanently lower prices.

Voluntary Organisations and Charities Providing Public Services

A charitable leisure trust which provides leisure and cultural services for 3 Welsh local authorities and 22 outside Wales has expressed its concerns about support to assist with energy costs. The trust operates more than 60 swimming pools and has temporarily closed some due to the costs of heating.

The trust has seen its energy bill increase from £8m to £20m, with energy being a large proportion of the costs for swimming pools. In Wales alone there has been an extra £3.5m/year of cost.

The trust has proposed the following to help the sector:

- (1) Public Sector leisure must be identified as a vulnerable sector in the upcoming January review to put in place support beyond the 31st March 2023
- (2) That support should be bespoke to the sector and be more "generous" than the current cap position which still results in unsustainable losses
- (3) Urgent government backed liquidity loans, as were put in place during Covid, are needed to secure the viability of the sector and prevent catastrophic failure of organisations with consequent loss of service and jobs (we employ 5000 people)
- (4) More direct support for energy management schemes would also assist in the medium term
- (5) Re-instatement of a sector targeted Economic Resilience Fund or equivalent for Businesses across Wales to support them through these unprecedented times.

**Pwyllgor yr Economi,
Masnach a Materion Gwledig**

—
**Economy, Trade and
Rural Affairs Committee**

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Vaughan Gething MS

Minister for Economy

20 December 2022

Dear Minister,

Thank you for attending our general ministerial scrutiny session on 7 December 2022. A significant part of our session focused on cost of living pressures and the steps the Welsh Government is taking to mitigate their effect.

In light of current economic circumstances, we have also taken evidence in recent weeks on the cost of doing business and the Young Person's Guarantee. This work builds on our July 2022 report on cost of living pressures, debated by the Senedd in Plenary on 16 November 2022.

The annex to this letter sets out some of the key areas on which we would welcome further information from you. These details will inform our ongoing work on the economic and rural impact of cost of living pressures.

A copy of this letter will also be shared with the Minister for Education and Welsh Language and the Deputy Minister for Mental Health and Wellbeing given its relevance to their areas of responsibility.

Kind regards,



Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg | We welcome correspondence in Welsh or English.



Business rates

Giving evidence to us on [7 December 2022](#), business rates were mentioned as the “no. 1 issue” facing firms by the Wales Retail Consortium (WRC) and the Confederation of British Industry (CBI) Wales. We welcomed the clarity you were able to provide on business rate relief, and note the [statement made by the Minister for Finance and Local Government](#) on 12 December confirming that £460 million business rates support will be provided over the next two financial years.

Many of the business organisations who gave evidence to us have responded positively to the Minister for Finance and Local Government’s announcement. However, some of them also told us that they wanted to see business rates support go beyond that offered in England. For example, the Federation of Small Businesses (FSB) Wales wanted to see 100% rate relief offered to businesses in the retail, leisure and hospitality sectors, and suggested that additional support could be targeted at rural firms to assist with the additional costs they often face.

We welcome the indication you gave during our session on 7 December 2022 of your willingness to engage with our Committee in a longer-term conversation about the future of business rates, following the Draft Budget. In the meantime, we would be grateful if you could explain what consideration you gave to going further in terms of business rates than the measures announced for England, rather than matching these measures.

Support for businesses to decarbonise

Business representative organisations have raised the importance of government support to help firms to decarbonise. We recommended in our [July 2022 report](#) that the Welsh Government consider supporting businesses to invest in efficiency savings to help them lower fuel and energy costs, and reduce their carbon footprint. We were therefore pleased to hear from you that the Welsh Government will be launching a decarbonisation business fund early in the new year, in addition to the decarbonisation initiative for businesses that the Development Bank of Wales will be launching.

While appreciating that further detail on this scheme will be forthcoming in the near future, we would be grateful to receive a response to the following questions:



- How will the Welsh Government and Development Bank of Wales funds complement each other?
- Will the Welsh Government's fund be made up of grants, loans or a mixture of both, and how much funding will be available?
- Given the enthusiasm with which business representative bodies have told us such funding will be received, how will the Welsh Government ensure that businesses in greatest need benefit from this funding?
- How will you promote this funding to ensure that as many businesses as possible are aware of it ahead of the launch?

Business representatives highlighted that energy-intensive industries and small businesses in sectors such as retail, food and accommodation are being particularly affected by rising energy bills. A recent [UK-wide survey conducted by the FSB](#) found that 42% of accommodation and food businesses would have to shut down, downsize or restructure if support available through the UK Government's Energy Bill Relief Scheme reduces after March 2023.

Given the challenges that these sectors face, we would be grateful if you would outline how you envisage the support provided by the Welsh Government will assist them, and what support you think these sectors will need from April 2023.

Capital investment

As you said in your evidence to us, the Office for Budget Responsibility expects overall business investment to decline by 4% over the next year, with an uneven picture across different economic sectors. The evidence we heard from business representative organisations on 7 December 2022 clearly sets out the challenges that their member businesses are facing.

UKHospitality Cymru noted that hospitality businesses' "margins are being hammered, and that then means there is no investment ability". Similarly, CBI Wales told us that capital investment is currently "on hold" for many of its members, with uncertainty a key factor underpinning this. CBI stated its wish to work with the Welsh Government on de-risking such investment, and to understand how the Government sees its role in this area.

In light of the evidence received, we would be grateful to receive an outline of:

- the policy levers the Welsh Government plans to use to support business investment during the current economic challenges, to support greater productivity and growth;
- how you intend to work with businesses to de-risk investment.

Scottish Emergency Budget Review

CBI Wales highlighted the work done by an [economic expert panel](#) as part of the Scottish Government's [Emergency Budget Review](#) as an example of good practice to follow. This review made a number of recommendations to support businesses with rising costs, which were influenced by engagement with individual businesses, sectors and business representative organisations. CBI Wales called for the Welsh Government to look at the process followed – and the recommendations made – by the Scottish Government.

To inform our ongoing work, we would be grateful to receive an outline of:

- the extent to which independent economic experts such as the Economic Ministerial Advisory Board have informed the Welsh Government's policy development in supporting businesses with rising costs;
- the consideration given by the Welsh Government to taking a similar approach to the Scottish Government.

Cost of living and Young Person's Guarantee

On [24 November 2022](#) we held an evidence session to consider how cost of living pressures affect the operation of the [Young Person's Guarantee](#). Whilst witnesses suggested that the Guarantee is having a positive impact, and that the programmes within it are important, there were suggestions for improvements. These included: the level and allocation of support provided under the Guarantee; the careers advice and effective communication of the options available to young people; mental health provision to support engagement in employment and training; and early intervention to prevent people from becoming NEET.

We note that, following our session, you made a Statement in Plenary on the Young Person's Guarantee on [13 December 2022](#).

Support not keeping up with the cost of living

We heard concerns that some young people may be leaving vocational programmes and going into low-skilled work to enable them to meet their basic needs. The National Training Federation for Wales (NTFW) said that “unless we do something to support young people, they're going to choose part-time jobs with little training and little prospects”, and that the training allowance available under programmes such as Jobs Growth Wales+ “just wouldn't allow them to fully function”.

During our discussions, you told us there may be a “need to shift the patterns of support” available, and that more detail will be available in the annual report on the Young



Person's Guarantee which is due in January 2023. You also said there will be a need to look at that data and then look to what will need doing.

In light of the evidence we have gathered, and to inform our future work in this area, we would be grateful if you could provide an outline of:

- any changes the Welsh Government envisages having to make to ensure that programmes under the Young Person's Guarantee such as Jobs Growth Wales+ are a viable option for those on the edge of poverty;
- your assessment of the sufficiency of training support, and the potential impact of that on participation in employability and training schemes.

Directing support to where it is needed

We have been told that the impact of the cost of living is having an unequal effect in different geographical regions. Dr Barry Walters (Pembrokeshire College and Strategic Work Based Learning Group) told us that, in a rural area, increasing transport costs can have a "debilitating effect" for some learners. John Graystone (Learning and Work Institute) explained that, in rural areas, depopulation can impact the jobs market.

The NTFW also suggested that the Welsh Government should "reflect back and look at the deciles of social deprivation indices" and ensure that any additional support for the most vulnerable learners goes to "the right place and the right people".

During our discussions you told us that during the first year of the Young Person's Guarantee the Welsh Government has been gathering feedback and working to ensure that the Guarantee is "successful for different cohorts of people", and that changes to the Guarantee are done as part of an "iterative process". In your statement on 13 December 2022, you also said that the Welsh Government is looking at "further collaboration to increase the package of support for those facing complex disadvantages", and that the national conversation with young people has been at the heart of "developing our ability to better understand the issues that young people face".

In light of the evidence we have gathered, and to inform our future scrutiny of this policy area, we would be grateful if you could indicate:

- how are you ensuring that the Young Person's Guarantee addresses the different needs of young people in Wales, including those that arise from regional differences or for those with complex disadvantages;
- what, if any, changes you are considering to ensure support reaches those who need it most, and when those changes would be implemented.

Mental health provision to support engagement in employment and training

We have heard that the cost of living is impacting on young people's mental health. As you reflected in your statement on 13 December, the "scarring effect of the pandemic" is still unfolding. The NTFW said that providers "are providing more and more, especially around mental health ... at our own cost". As Minister, you told us that there is now a clearer understanding of the "protective" nature for mental health of successful engagement in education, employment or training, and that you have had "direct conversations with the Deputy Minister for Mental Health" about joining up your work.

We would be grateful if you could clarify:

- the outcomes of your conversations with the Deputy Minister for Mental Health in this regard;
- how you plan to implement tangible change for young people who need mental health or well-being support to maintain their employment or training.

Early intervention, and signposting young people to programmes

Your evidence paper to us ahead of our session on the 7 December said that:

Where once there was a confusing range of options, opportunities, and advice systems available to young people, the Working Wales service now provides a single, simple route to support coupled with professional independent careers advice.

However, the NTFW told us that "we need to look ... at Working Wales", as they are "just not seeing the numbers coming through", and that "we tend to see that we're recruiting our own [learners] still". The Learning and Work Institute said that "it's really important to ensure that the wider network of organisations that support young people are really aware of what's available through Working Wales and the youth guarantee", and that those organisations "play their role in signposting advice and mentoring to move those young people in the directions they want to go". Dr Barry Walters stressed the importance of targeting learners in pre-16 education "before they become NEETs and they become even harder to reach".

During our session on 7 December, you said that the Welsh Government is always looking for ways to "improve the relationship between schools, the careers service, and young people, and the options available." You also said "the earlier we can intervene, the better.



So, work in schools before people get to 16 is really important to identify people with a real prospect of ending up not being in education, employment or training”.

We would be grateful if you could outline:

- how you are evaluating the performance of the Working Wales service, including what feedback you have heard about how effectively it is signposting young people to the full range of programmes available as part of the Young Person’s Guarantee;
- your assessment of how effectively schools, careers advice and further education and training providers are working together to help learners understand the full range of options after compulsory education , and whether there are any areas in which this relationship could be improved;
- further details on the steps the Welsh Government is taking to build early intervention into the Young Person’s Guarantee.



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

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

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23 December 2022

Dear Paul, Huw

I wanted to let you know, per the inter-institutional relations agreement, that a meeting of the Inter-Ministerial Group on Trade is scheduled for 9 January 2023.

The agenda consists of:

- Introductions
- Information Sharing
- CPTPP
- India
- GCC

I will update you further following the meeting.

Yours sincerely,

Vaughan Gething AS/MS
Gweinidog yr Economi
Minister for Economy

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

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

Eich cyf/Your ref
Ein cyf/Our ref

Llywodraeth Cymru
Welsh Government

23 December 2022

Dear Huw,

In accordance with the inter-institutional relations agreement, I wish to notify you a further meeting of the Inter-Ministerial Group for Environment, Food and Rural Affairs was held on 5 December.

The meeting was chaired by Lord Richard Benyon, Minister for Biosecurity, Marine and Rural Affairs, UK Government. The meeting was also attended by Mairi Gougeon MSP, Cabinet Secretary for Rural Affairs and the Islands, Scottish Government; Lorna Slater MSP, Minister for Green Skills, Circular Economy and Biodiversity, Scottish Government; Mrs Katrina Godfrey, Permanent Secretary, Department of Agriculture Environment and Rural Affairs, Northern Ireland Government (in lieu of Minister); James Davies MP, Parliamentary Under-Secretary of State for Wales; and John Lamont MP, Under-Secretary of State for Scotland.

At the meeting we discussed the issues currently impacting on the poultry and egg sector, as requested by Lesley Griffiths, Minister for Rural Affairs, North Wales and Trefnydd, following concerns raised by our stakeholders.

We discussed the status of the Retained EU Law (Reform and Revocation) Bill. I requested Defra provide officials with details on its plans as soon as possible.

Lord Benyon gave an update on Offshore Wind Environment Improvement Package, and proposed reforms to consenting of offshore wind projects. While I agree with the intentions of the work, I emphasised my concerns over the proposed legislation and stressed that the devolution settlement must be respected.

Borders and the implementation of the Target Operating Model, were discussed next and I outlined the importance of UKG engaging early with devolved governments.

Finally, we spoke about the upcoming COP15 meeting and discussed our ambitions and our collective response on biodiversity.

The next meeting will be held on Monday 23 January 2023.

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

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

A communique regarding this meeting will be published on the UK Government website at <https://www.gov.uk/government/publications/communique-from-the-inter-ministerial-group-for-environment-food-and-rural-affairs>.

I am copying this letter to the Climate Change, Environment, and Infrastructure Committee and to the Economy, Trade and Rural Affairs Committee

Yours sincerely



Julie James AS/MS
Y Gweinidog Newid Hinsawdd
Minister for Climate Change

Agenda Item 3

Memorandum on the Rural Affairs Draft Budget Proposals for 2023-24

Economy, Trade and Rural Affairs Committee – 12 January 2022 09:30

1.0 Purpose

1.1 This paper provides information to the Economy, Trade and Rural Affairs Committee on the Rural Affairs (RA) (MEG) proposals outlined in Draft Budget 2023-24, published on 13 December. It also provides an update on specific areas of interest to the Committee. The summary of the budget structure can be found at Annex A of the evidence paper.

2. Summary of Budget Changes

1.2 The table below provides an overview of the plans summarised at a high level by business area for the Rural Affairs MEG published in the Draft Budget 2023-24.

The total resource budget is summarised in Table 1 below:

TABLE 1: Overview of the Resource Budget							
	2022-23 Final Budget £'000	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Revenue							
Agriculture, Food & Fisheries	300,212	354,284	54,072	18%	376,284	22,000	6%
Protect and Improve Animal Health & Welfare	41,499	41,499	0	0%	41,499	0	0%
Rural Affairs Monitoring and EU Exit Strategy	3,434	3,434	0	0%	3,434	0	0%
Sub Total	345,145	399,217	54,072	16%	421,217	22,000	6%
Non Cash							
Agriculture, Food & Fisheries	10,817	10,817	0	0%	10,817	0	0%
Sub Total	10,817	10,817	0	0%	10,817	0	0%
TOTAL	355,962	410,034	54,072	15%	432,034	22,000	5%

The total capital budget is summarised in Table 2 below:

TABLE 2: Overview of the Capital Budget							
	2022-23 New Plans Draft Budget £'000	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
General Capital							
Agriculture, Food & Fisheries	37,200	37,200	0	0%	37,000	(200)	-1%
Rural Affairs Monitoring and EU Exit Strategy	0	0	0	0%	0	0	0%
TOTAL	37,200	37,200	0	0%	37,000	(200)	-1%

Resource

The increase in the resource budget for the 2023-24 financial year is set out in Table 3 below:

TABLE 3: Fiscal Resource Budget Movements	
	2023-24 £'000
Additional Allocations	
Replacement Farm Funding	63,000
Reductions	
Rural Investment Schemes	(8,928)
Total Fiscal Resource Movements	54,072

- 1.3 In 2023-24 the Revenue budget increases by £54.1m against the 22-23 baseline. Of this, £63m is the Farm funding replacement from the UK which is direct EU replacement funding received for BPS and the RDP.
- 1.4 There is an £8.9m reduction when compared to the 22-23 Draft Budget attributed to the Rural Investment Schemes BEL. A Welsh Government wide reprioritisation exercise led by the Minister for Finance and Local Government took place to target allocations to protect frontline public services, Programme for Government and help those effected by the Cost of Living Crisis.

Capital

The capital budget allocation of £37.2m for 2023-24 is set out in Table 4 as follows:

TABLE 4: Capital Budget Allocations	
	2023-24 £'000
Allocations	
General Capital	
Livestock Identification and Movement	1,000
Marine & Fisheries	200
Rural Payments Wales IT	6,000
WG Rural Communities - RDP	9,500
WG Rural Communities - RESP	20,500
Total Capital Allocations	37,200

1.5 A breakdown of the RA MEG by spending area, Action and BEL for 2023-24 and future years is provided at Annex A. A transparent narrative explanation has been provided to explain increases and reductions, where not covered in the evidence paper. This only covers the budgets that are been securitised as part of this committee.

2.0 Monitoring of budgets

2.1 All budgets continue to be monitored and challenged on a monthly basis during 2022-23, to consider the latest forecasts and budget movements as necessary. I receive regular financial updates on the forecasts for the MEG to ensure that budgets remain on track to deliver my priorities. We maintain very close monitoring to ensure funding is being invested where best needed whilst supporting our priorities

3.0 Evidence base for budget decisions.

3.1 We are committed to delivering a strategic approach to Fisheries, working with stakeholders. A clear focus will be on delivery of sustainable fisheries, managed in an adaptive way, for which we have budget allocated for in the financial year. I intend to work with stakeholders to establish the priorities for delivery.

3.2 A key enabler will be the underpinning of our strategic approach by a clear plan for investment in our seafood sector, and crucial to this investment will be the support we provide through a replacement to the EMFF scheme via The Marine, Fisheries and Aquaculture (Financial Assistance) Scheme (Wales) Regulations 2022 came into force on 1 December. This scheme will enable Welsh Ministers to support the sustainable growth of the marine economy whilst protecting and enhancing the marine environment.

3.3 The Environment & Rural Affairs Monitoring and Modelling Programme (ERAMMP) is supporting the development of the proposed Sustainable Farming Scheme (see para 5.1). In addition, the work estimating the economic effects of the proposed Scheme is being undertaken by a consortium of academics and consultants led by ADAS. This work represents

an independent assessment of the economic effects of our proposals. The work is estimating the economic effects of key actions that we anticipate will form an important part of the proposed Scheme. These actions include habitat management; woodland management and creation; and land and nutrient management.

- 3.4 The CAP replacement programme is strategically aligned to key Welsh Government priorities around responding to the climate emergency, reversing the loss of biodiversity and ensuring Welsh farming is sustainable for future generations.
- 3.5 It includes the design of evidence based policy, the development of the underpinning legislative framework and all aspects of stakeholder engagement and business change within the agricultural industry.

4.0 Impact of Cost of living on budget allocations and programmes

- 4.1 I recognise that impact the cost of living crisis is having in Wales and the Welsh Government has worked hard with our 2023/24 draft budget proposals to protect as much as possible the most vulnerable in society from its impacts.
- 4.2 This is particularly true of rural communities who often have higher commuting and energy costs to those living in urban communities. I remain committed to ensuring we continue to meet our targets to provide payments under the BPS and replacement schemes as swiftly as possible to provide surety of income to those who are entitled to it.

5.0 Lasting implications of the pandemic

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

6.0 Impact on Deprivation and Poverty

- 6.1 Over the next three years (including 22-23) I am making £257m available to support the resilience of the rural economy and our natural environment and have already announced £227m worth of rural investment schemes. This funding provides vital support for our primary production and food sectors which have, and continue to be, affected by the impacts of Covid, the UK's withdrawal from the European Union and now the cost of living crisis.

7.0 Withdrawal from the European Union

- 7.1 The UK's exit from the European Union continues to impact on Wales, resulting in critical new areas of work for the Welsh Government. Some were expected such as preparing our borders, however, the impact of other changes have still to be determined. For example, the UK Government's proposed review of Retained EU Law which will require a significant effort across the portfolio. We need to continue to adapt to this evolving context and respond to a completely new way of working for Wales, in terms of our role in the UK and our engagement with the EU and other trading nations. This requires the maintenance of effective inter-government communications. For example, the Minister for Climate Change and I are part of a formal Inter-Ministerial group with UK Government (Defra), SG and NIE, in which we now have to agree how we work together to further policy where powers have flowed back from the EU.
- 7.2 This work is supported by a series of common frameworks which are undergoing scrutiny by relevant committees once published. These set arrangements for how we come together across the UK in subject areas. Furthermore, the machinery of the EU TCA is still evolving and requiring us to think differently about how we respond, in the same way as we need to understand an evolving trading environment.

8.0 Programme for Government 2021-2026 / The Labour-Plaid Co-operation Agreement:

- 8.1 [An explanation of how the budget allocations within your portfolio align to Programme for Government and The Labour-Plaid Co-operation Agreement commitments and priorities.](#)
- 8.2 The budget allocations for the Rural Affairs MEG ensures that it priorities my Programme for Government Commitments, not only in the Rural Affairs portfolio but across Government. For example, many of the Climate Change specific Programme for Government commitments are supported by Rural Investment from the RA MEG.
- 8.3 The Community Food Strategy has the potential to deliver many benefits which advance the Future Generations Well-being goals. While 'food' is the common factor, the societal benefits could be wide ranging, including economic benefits, regenerating local communities, improving well-being, mental and physical health and future environment and sustainability benefits.

On 11th July 2022, the Minister for Social Justice announced £3 million Welsh Government funding to support the development of cross-sector food partnerships and strengthen existing food partnerships that can help build resilience in local food networks. These networks will provide join up, drawing in support and expertise from other services such as Public Health Wales, Welsh housing associations and advice services, to understand and address local need. They will ensure the immediate and growing needs of households

experiencing food poverty are met while also focussing resources on prevention and sustainability to support resilience in the longer term.

8.4 [How the Rural Affairs budget allocations address the Welsh Government's commitment to respond to the climate and nature emergencies across all policy areas.](#)

8.5 The Land Management Reform Division is responsible for designing a new policy framework and programme to replace the Common Agricultural Policy (CAP) in Wales following the UK's exit from the European Union.

8.6 The programme is strategically aligned to key Welsh Government priorities around responding to the climate emergency, reversing the loss of biodiversity and ensuring Welsh farming is sustainable for future generations.

8.7 It includes the design of evidence based policy, the development of the underpinning legislative framework and all aspects of stakeholder engagement and business change within the agricultural industry.

8.8 Over the next three years (including 22-23) I am making £257m available to support the resilience of the rural economy and our natural environment and have already announced £227m worth of rural investment schemes. I will make further funding announcements in due course.

8.9 The significant funding announced is supporting our farmers, foresters, land managers and food businesses to promote the sustainable production of food and support the rural economy on the path to a net zero, nature positive Wales. Funding includes a focus on woodland and forestry, on farm environmental improvements, sustainable land management, productivity and diversification. We are also targeting landscape scale land management and food and farming supply chains.

9.0 Preventative Spend

9.1 These budget proposals reflect my continuing commitment to protect and prioritise investment that supports preventative measures as far as possible. Value for money and clarity over how we use our resources effectively is central to delivering our priorities. Once expenditure is planned in line with priorities, we have well-established processes in place to ensure that resources are used effectively for the purposes intended.

9.2 Funding allocated to the RDP and replacement funding is all preventative – targeting agri-environment improvements through Glastir; improved productivity and viability of businesses through BPS, the creation and restoration of woodland; and many other schemes being delivered. In contrast the Food Business Accelerator Scheme (previously FBIS and RBIS under RDP) offers capital grants to support sustainable growth in food manufacturing and productivity improvements, while SIS support offers a range of revenue based support and expertise to advance innovation and accreditation standards in the food manufacturing sector.

- 9.3 We have maintained the match funding element of RDP through to the end of the programme, ensuring we will spend all of the resources available to us. All of the replacement funding provided by the UK Government is being transferred to my budget, which will be used to support transition to SFS and for other Programme for Government priorities.
- 9.4 RDP and replacement capital funding programmes are designed in such a way to promote sustainable practices and drive reduction in carbon emissions (and therefore work to prevent the impact of climate change). For example, through the Sustainable Production Grant, delivered through the RDP, grants range from £12,000 to £50,000 as a maximum 40% contribution to project costs. The items supported will include, amongst other things, covered and uncovered slurry storage and management equipment. This will give more farmers the opportunity to take the lead in tackling agri- pollution to improve water, soil and air quality. Food Business Accelerator Scheme (FBAS) is designed to support sustainable growth in food manufacturing in particular businesses targeting environmental improvements (decarb, waste/water/energy efficiencies), fair work and pushing the boundaries on innovation.
- 9.5 The EU replacement funded schemes are informed by departmental strategies and policies, which have taken into account the WFGA ways of working, including preventative approaches.
- 9.6 In May I launched the Small Grant – Efficiency scheme, a capital scheme designed to help farmers in Wales to improve the technical, financial and environmental performance of their farm businesses. In August I opened a funding window for Small Grant – Environment, providing a maximum of £7,500 for capital works to deliver beneficial environmental outcomes around the themes of carbon, water and landscapes and pollinators. In November I opened an expression of interest for the Food Business Accelerator Scheme, providing capital investments in processing equipment and infrastructure, along with some associated costs and supports projects that offer clear and quantifiable benefits to the food and drink industry in Wales

10.0 Well-being of Future Generations Act

- 10.1 My draft budget preparations shows how I have sought to reflect the framework of the Wellbeing of Future Generations Act in setting our spending priorities. We reviewed current trends and future projections and their potential impacts in the short, medium and longer term. We did this to ensure, as far as possible, that short term responses do not have longer term detrimental impacts.
- 10.2 Through the Sustainable Management Scheme (SMS) we are supporting collaborative landscape-scale projects delivering action that improves our natural resources in a way that delivers benefits to farm and rural businesses and rural communities. It will also support and facilitate co-ordination with other schemes to undertake the vital action needed to improve the resilience

of farm and rural businesses and rural communities to climate impacts. The SMS is designed to support the delivery of our commitment to sustainable development as set out in the Well-being of Future Generations Act. The need to tackle inter-generational challenges, such as climate change and declining biodiversity, means that interventions and actions need to be undertaken to enable Wales to grow, to improve resilience and to manage our natural resources sustainably and efficiently.

- 10.3 All replacement funding for rural development will need to align with the priorities for the sustainable management of natural resources. These priorities are framed around the ways that natural resources can support our well-being goals and address both the risks to the environment and the social and economic benefits they provide.

11.0 Impact Assessments

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

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

12.0 Equality, Welsh language and children's rights assessment

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

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

- 12.3 The duties within the Measure are implemented in two stages and place duties on Welsh Ministers to give balanced consideration to the rights in the UNCRC:

- 12.4 and its optional protocols when formulating or reviewing policy and legislation; and when they use all their legal powers or duties.

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

13.0 Strategic Context – specific areas of interest.

13.1 [The development and implementation of agricultural policy including the proposed Sustainable Farming Scheme for Wales.](#)

13.2 The UK Government has adopted the same methodology to replacement EU funding in this Spending Review as they have done in 2021/22 and 2022/23, which nets off outstanding EU spending. This has already led to Wales receiving £222m less than expected (£85m less in 2022/23 and £137m less in 2021/22). The continuation of this approach in 2023/24 will see Wales lose an additional £21m. Along with her counterparts in the Scottish Government and the Northern Ireland Executive, the Minister for Finance and Local Government has written to the Chief Secretary of the Treasury outlining our objections to this approach.

13.3 The budget allocation of £650,000 will be sufficient to in 23/24 to fund the ongoing policy development of the Sustainable Farming Scheme.

13.4 This budget has been allocated to funding ongoing evidence packages to support policy development and fund potential prepare and pilot projects as we move closer to 2025 and the launch of the Sustainable Farming Scheme. This budget allocation will also fund the final consultation on the proposed Sustainable Farming Scheme.

13.5 [The development of fisheries policy, including the delivery of a Joint Fisheries Statement and Fisheries Management Plans.](#)

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

13.7 [Bovine TB eradication.](#)

13.8 The TB Eradication Programme sets out the Welsh Government's long term vision for the eradication of bovine TB in Wales. The programme is based on the four key principles of infectious disease control: Keep it Out, Find it Fast, Stop it Spreading and Stamp it Out. We have seen good progress since our programme was first established, with long term decreases in incidence and prevalence. Between 2009 and 2020, there was a 48% decrease in new incidents and it is worth reminding ourselves that 94.8% of herds in Wales were TB free at end of June 2022.

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

- 13.10 A regionalised approach to TB eradication was launched in 2017 creating Low, Intermediate and High TB Areas and policies have continued to be refined, reacting dynamically to the changing disease picture, whilst responding to the particular challenges resulting from the Covid-19 pandemic
- 13.11 Following a consultation, which closed earlier this year, the Minister will announce a refresh of the TB Eradication Programme in 2023.
- 13.12 [Avian Flu](#)
- 13.13 The current outbreak of Avian Influenza started in October 2021 with cases increasing exponentially in October 2022, placing significant resourcing and funding pressures on APHA and increasing the unfunded pressure against this budget. At the time of writing, the epidemic is continuing and risk of infection to poultry farms are rated as “medium” if biosecurity is excellent and “high” if biosecurity is sub-optimal. Risk of infection of wild birds, the source of virus is “very high”.
- 13.14 Accurate forecasting is impossible as the number of infected premises and birds cannot be predicted. However, it would be prudent to assume significant budgetary pressure from necessary avian influenza controls in the next financial year.
- 13.15 (Avian influenza control is necessary to protect the poultry industry and also prevent virus mutation and recombination to a form that would cause pandemic influenza in people.)

TB Testing

- 13.16 In Wales a skin test (*SICCT*) to the neck of cattle is used to identify infected animals. This compares the reactions to the injection of both bovine and avian tuberculin. In general animals that react to the bovine more than the avian tuberculin are considered as skin test reactors.
- 13.17 This is a long established test, and is used worldwide as the main surveillance test for TB control programmes. The test is likely to identify only one ‘false positive’ animal in every 5000 non-infected cattle tested. But, at best it may only identify 80% of infected animals. There is currently no test, or combination of tests, that will:
- identify all cattle infected with TB; and
 - identify all non-infected cattle as negative animals.
- 13.18 An Interferon-gamma blood test is also used in some herds (as a supplementary test) to help identify other infected animals.

In Wales we test:

- each herd every year
- any animal before it moves off farm, except for low risk cattle in the Low TB Area

- any animal moving from a herd outside the Low TB area to a herd in the Low TB Area
- 13.19 We inspect animals at the abattoir to identify any infected with TB, not identified in the testing surveillance programme (they become “slaughterhouse cases” and result in follow up testing in the source herd).
- 13.20 [TB compensation](#)
- 13.21 Welsh Government has a statutory commitment to pay TB compensation.
- 13.22 This is a demand lead area of expenditure that is directly linked to the amount of animals slaughtered because of TB. Variables such as the amount of animals slaughtered, market value of each animal and the amount of salvage value applicable to each animal has an effect on the level of expenditure and salvage receipts received.
- 13.23 Animal owners are paid by the Welsh Government for cattle slaughtered because of TB as set out in The Tuberculosis (Wales) Order 2010 (as amended) (The TB Order). This Payment is currently calculated based on the market value of each individual animal. A number of alternative payment options were outlined in the consultation.
- 13.24 [Development and implementation of post-Brexit food and drink strategy, including the Community Food Strategy.](#)
- 13.25 Welsh Government’s strategic vision for the food and drink manufacturing and processing industry was published on 29 November 2021 and is to create a strong and vibrant industry with a global reputation for excellence, having one of the most environmentally and socially responsible supply chains in the world. It is focussed on goals to:
- generate business growth and raise productivity;
 - grow sales in domestic and overseas markets;
 - to spread Fair Work for employees;
 - to reach higher levels of environmental sustainability; and
 - to raise and promote the industry’s reputation and professional standards.
- 13.26 The approach builds on the work achieved over the last decade, recognises the disruption of EU-Exit and Covid-19, and is predicated on a partnership with businesses and stakeholders in which Welsh Government support will increasingly be conditional on shared values and actions. The value of food and drink exports from Wales increased in 2020 including to our biggest market, to the EU. However, volume of exports to the EU declined and small businesses and some sectors (seafood) continue to find trade difficult.
- 13.27 The industry operates within a context of socio-economic issues such as the heightened concern to address the environmental and health impacts of food production and diet, a changed UK trading environment, the urgent need to decarbonise and minimise waste and environmental impact. With businesses located across Wales, the food and drink industry is part of a foundational

economy and integral to supply chains which connect, in some important sectors, to Welsh farming and fishing, and to retail, wholesale and the service sector where the industry's product branding (GIs, sustainability credentials) offer is increasingly valued by consumers and is a USP for tourism.

13.28 Welsh Government intervention will focus on ten main areas:

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

13.29 Complementing our industry strategy, we have commenced work on a Community Food Strategy which we envisage will guide and empower grass roots activity and interest in food. Through capacity building we aim to localise food supply chains where that is practicable.

13.30 [Sufficient staffing resource for the development of policies and legislation associated with Brexit.](#)

13.31 The UK's exit from the European Union continues to impact on Wales, resulting in critical new areas of work for the Welsh Government. Some were expected such as preparing our borders, however, the impact of other changes have still to be determined. For example, the UK Government's

proposed review of Retained EU Law which will require a significant effort across the portfolio. We need to continue to adapt to this evolving context and respond to a completely new way of working for Wales, in terms of our role in the UK and our engagement with the EU and other trading nations. This requires the maintenance of effective inter-government communications. For example, the Minister for Climate Change and I are part of a formal Inter-Ministerial group with UK Government (Defra), SG and NIE, in which we now have to agree how we work together to further policy where powers have flowed back from the EU.

13.32 This work is supported by a series of common frameworks which are undergoing scrutiny by relevant committees once published. These set arrangements for how we come together across the UK in subject areas. Furthermore, the machinery of the EU TCA is still evolving and requiring us to think differently about how we respond, in the same way as we need to understand an evolving trading environment.

13.33 [An update on discussions with the UK Government about future funding for agriculture support given past disagreement.](#)

13.34 Along with her counterparts in the Scottish Government and the Northern Ireland Executive, the Minister for Finance and Local Government has written to the Chief Secretary of the Treasury outlining our objections to this approach.

14.0 Legislation

14.1 [Continued agricultural payments ahead of transition to the new scheme –the Basic Payment Scheme, Rural Development Programme schemes and interim replacement schemes;](#)

14.2 On 15 December, I announced the continuation of direct payments to farmers in Wales, at the same level as received over the last 3 years, confirming a budget of £238m for BPS 2023 and an indicative budget of £238m for BPS 2024.

14.3 Funding for the RDP 2014-2020 will continue to be drawn from the European Union, under the terms of the Withdrawal Agreement. The programme closes in December 2023. As at 7 December 22, total programme spend has exceeded £676.98m, representing 80.4% of total programme value, of which £468.30m is EU funds.

14.4 Over the next three years (including 22-23) I am making £257m available to support the resilience of the rural economy and our natural environment and have already announced £227m worth of rural investment schemes. I will make further funding announcements in due course.

14.5 The significant funding announced is supporting our farmers, foresters, land managers and food businesses to promote the sustainable production of food and support the rural economy on the path to a net zero, nature positive

Wales. Funding includes a focus on woodland and forestry, on farm environmental improvements, sustainable land management, productivity and diversification. We are also targeting landscape scale land management and food and farming supply chains. This allocation of funding responds to the ending of the EU Rural Development Programme (RDP), which will close in 2023. It will ensure continuity of support for important actions previously funded under the RDP. The framework also complements the development of the Sustainable Farming Scheme, which will reward farmers and land managers for the work they do to meet the challenges of the climate and nature emergencies alongside the sustainable production of food, with benefits for food security in Wales and globally.

15.0 [The process of transition to the new agricultural scheme such as piloting, administrative arrangements and research and development;](#)

15.1 A number of schemes under the Rural Investment Schemes (2022-2025) have been specifically developed to offer support and prepare farmers for the new scheme which will be implemented in 2025. A specific example is the Woodland Creation scheme, with further schemes being considered to support collaboration at landscape scale.

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

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

15.4 RPW are researching and developing a new joined up customer experience model for accessing the scheme and wider Welsh Government services and support as well as new in-field technologies, supported by Earth Observation and Satellite Imagery, to enhance the data capture and verification requirements of the new scheme.

15.5 [Bovine TB Eradication Programme \(including Delivery Plan, testing and compensation\);](#)

15.6 The TB Eradication Programme sets out the Welsh Government's long term vision for the eradication of bovine TB in Wales. The programme is based on the four key principles of infectious disease control: Keep it Out, Find it Fast, Stop it Spreading and Stamp it Out. We have seen good progress since our programme was first established, with long term decreases in incidence and prevalence. Between 2009 and 2020, there was a 48% decrease in new incidents and it is worth reminding ourselves that 94.8% of herds in Wales were TB free at end of June 2022.

- 15.7 As part of its *Programme for Government 2021 - 26* commitments the Welsh Government continues to prohibit the culling of badgers as part of the TB Eradication Programme. Funds continue to be made available to support private vaccination schemes across Wales, whilst assessing the most appropriate, cost-effective deployment of the Badger BCG vaccine as a protective measure.
- 15.8 A regionalised approach to TB eradication was launched in 2017 creating Low, Intermediate and High TB Areas and policies have continued to be refined, reacting dynamically to the changing disease picture, whilst responding to the particular challenges resulting from the Covid-19 pandemic
- 15.9 Following a consultation, which closed earlier this year, the Minister will announce a refresh of the TB Eradication Programme in 2023.
- 15.10 [The ongoing implementation of the Water Resources \(Control of Agricultural Pollution\) Regulation 2021, including details of the Service Level Agreement between the Welsh Government and Natural Resources Wales on enforcing the regulations;](#)
- 15.11 Following the completion of its baseline review, NRW continues to work with Welsh Government officials to co-design service level agreements (SLAs) for each policy/delivery area. The development of the SLAs are expected to be completed in the beginning of 2023, and will include the administration of the Water Resources (Control of Agricultural Pollution) (Wales) Regulations 2021.
- 15.12 [Continued financial assistance for the marine, fisheries and aquaculture sectors following the end of the European Maritime and Fisheries Fund \(EMFF\);](#)
- 15.13 The 2014-2020 European Maritime and Fisheries Fund (EMFF) has now closed with the completion of ongoing projects required by the end of 2023.
- 15.14 The Marine, Fisheries and Aquaculture (Financial Assistance) Scheme (Wales) Regulations 2022 came into force on 1 December. This scheme will enable Welsh Ministers to support the sustainable growth of the marine economy whilst protecting and enhancing the marine environment.
- 15.15 The Welsh Marine and Fisheries Scheme will be available for applications via targeted funding rounds alongside further investment through the Capacity Building in Welsh Coastal Communities initiative. These interventions will benefit the Welsh marine, fisheries and aquaculture sectors.
- 16.0 [Key policies included in the new Animal Welfare Plan for Wales 2021-26;](#)

- 16.1 The implementation of the plan is supported and monitored by the Wales Animal Health and Welfare Framework Group. The eight publically appointed members bring a wealth of experience and knowledge and are drawn from a broad range of sectors and areas of expertise.
- 16.2 The current 2022-2024 implementation plan, along with the Animal Welfare Plan for Wales 2021-2026 , addresses several key PfG commitments in addition to ongoing Wales-based policy work and UK/GB policy collaborations:
- Develop a national model for regulation of animal welfare, introducing registration for animal welfare establishments, commercial breeders for pets or for shooting, and animal exhibits;
 - Improve the qualifications for animal welfare inspectors to raise their professional status;
 - Require CCTV in all slaughterhouses; and
 - Restrict use of cages for farmed animals.
- 16.3 [Livestock identification and movement policy](#)
- 16.4 Following the consultation on Changes to Livestock Identification, Registration and Movement Reporting held in 2021, we are planning to implement mandatory legislative changes from 2024 to include Bovine EID tags, whole movement reporting, 24-hour reporting by CPRC's and removal of paper registrations for cattle.
- 16.5 EIDCymru is being developed into the Welsh multispecies traceability system and service and we anticipate cattle registration and movement reporting to be launched on EIDCymru in Autumn/Winter 2023. From launch we will also enable voluntary changes to include recording of journey information, pre-movement reporting, online holding registers and circular show moves.
- 16.6 Discussions on tag specifications for Bovine EID are ongoing and we will be running a pilot on Bovine EID to gather and compare data from LF and UHF tags and readers. This will help us understand the full extent of the impacts each tag type and technology will have on keepers, markets, collection centres and abattoirs in Wales.
- 16.7 When I have agreed the final tag specifications for Bovine EID, I will update the Senedd and share the provisional implementation date for Bovine EID.

Annex A

Budget Structure (by SPA and BEL)

1.0 Agriculture, Food & Fisheries – FUNDING OF ACTIONS

Agriculture, Food & Fisheries	2022-23 Final Budget £'000	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Revenue	300,212	354,284	54,072	18%	376,284	22,000	6%
Non Cash	10,817	10,817	0	0%	10,817	0	0%
Capital	37,200	37,200	0	0%	37,000	(200)	-1%
TOTAL	348,229	402,301	54,072	16%	424,101	21,800	5%

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

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

Develop and deliver overarching policy and programmes on Agriculture, Food and Marine BEL's REVENUE	2022-23 New Plans Draft Budget £'000	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Agriculture Strategy (2829)	650	650	0	0%	650	0	0%
Local Authority Framework Funding (2831)	200	200	0	0%	200	0	0%
Agriculture Customer Engagement (2860)	400	400	0	0%	400	0	0%
County Parish Holdings Project (2861)	500	500	0	0%	500	0	0%
EID Cymru (2862)	2,639	2,639	0	0%	2,639	0	0%
Livestock Identification (2863)	1,647	1,647	0	0%	1,647	0	0%
Technical Advice Services (2864)	358	358	0	0%	358	0	0%
Commons Act (2866)	433	433	0	0%	433	0	0%
Total Revenue	6,827	6,827	0	0%	6,827	0	0%

Develop and deliver overarching policy and programmes on Agriculture, Food and Marine BEL's CAPITAL	2022-23 New Plans Draft Budget £'000	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
EID Cymru (2862)	0	0	0	0%	0	0	0%
Livestock Identification (2863)	1,000	1,000	0	0%	1,000	0	0%
Commons Act (2866)	0	0	0	0%	0	0	0%
Total CAPITAL	1,000	1,000	0	0%	1,000	0	0%

The Technical Advice Services BEL (2864) supports the delivery of a range of statutory duties, policy development and support services in relation to agriculture and the environment including, but not limited to, TB valuations, Environmental Impact Assessment (EIA) Agriculture Regulations, Agricultural Land Classification,

plant health, Agricultural Land Tribunals, Agricultural Wages, the Agricultural Advisory Panel for Wales and the Control of Agricultural Pollution Regulations.

BEL 2831 Funding is allocated to Welsh Local Authorities via the Heads of Trading Standards to deliver targeted and additional animal health and welfare enforcement activities via a local authority agreed Partnership Development Plan. The Plan delivers outcomes over and above the local authorities' statutory responsibilities as well as outcomes to improve animal health and welfare standards and the prevention of, and a more efficient response to, any animal disease outbreak. This contributes to the mitigation of the significant expense and resource pressures for government and industry of such an outbreak.

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

The budget also supports activities associated with the mental health and wellbeing of farmers including the Wales Farm Support Group and the continued promotion of FarmWell Wales.

The budget covers direct funding to the Royal Welsh Agricultural Society as well as other show Societies across Wales. Funding towards the implementation of recommendations from an independent review of the resilience of agricultural shows in response to Covid 19 will be supported from this budget.

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

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

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

CAP administration and making Payments in accordance with EU and WAG rules BEL's REVENUE	2022-23 New Plans Draft Budget £'000	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Agriculture EU Pillar 1 Direct Payments (2787)	238,000	238,000	0	0%	238,000	0	0%
Single Payment Scheme Administration (2790)	9,194	9,194	0	0%	9,194	0	0%
Total Revenue	247,194	247,194	0	0%	247,194	0	0%

CAP Administration and making payments according to EU and WG rules BEL's CAPITAL	2022-23 New Plans Draft Budget £'000	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Common Agriculture Policy IT (2789)	6,000	6,000	0	0%	6,000	0	0%
Total CAPITAL	6,000	6,000	0	0%	6,000	0	0%

BEL 2787 Direct Payments are 100% Domestic funded Common Agricultural Programme payments. Payments are made directly to farmers who use the money to meet their business and other expenses. Payments for 2021 will be made in October (advance) and December (balances) Direct Payments for Farmers (Legislative Continuity) Act 2020 (c.2),

BEL 2790 RPW ICT systems comprises three main components:

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

Rural Economic and Sustainability Programme

Rural Economic and Sustainability Programme BEL's REVENUE	2022-23 New Plans Draft Budget £'000	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Rural Economic and Sustainability Programme (2833)	6,880	70,272	63,392	921%	109,454	39,182	56%
Total Revenue	6,880	70,272	63,392	921%	109,454	39,182	56%

Rural Economic and Sustainability Programme BEL's CAPITAL	2022-23 New Plans Draft Budget £'000	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Rural Economic and Sustainability Programme (2833)	20,500	20,500	0	0%	30,000	9,500	46%
Total CAPITAL	20,500	20,500	0	0%	30,000	9,500	46%

The purpose of this BEL is to support the development of a domestic rural development programme from 2024, and develop and implement transitional schemes for farmers and land managers from 2021 to 2024 through EU Replacement Funding. The funding will provide programme support to develop the longer term programme. The outcomes and performance measures for schemes being developed through EU replacement funding will be developed at programme and scheme level.

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

Welsh Government Rural Communities: Delivering the programmes within the Rural Development Plan 2014-20 BEL's REVENUE	2022-23 New Plans Draft Budget £'000	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Rural Development Plan 2014-20 (2949)	26,502	17,182	(9,320)	-35%	0	(17,182)	-100%
Total Revenue	26,502	17,182	(9,320)	-35%	0	(17,182)	-100%

Welsh Government Rural Communities: Delivering the programmes within the Rural Development Plan 2014-20 BEL's CAPITAL	2022-23 New Plans Draft Budget £'000	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Rural Development Plan 2014-20 (2949)	9,500	9,500	0	0%	0	(9,500)	-100%
Total CAPITAL	9,500	9,500	0	0%	0	(9,500)	-100%

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

Evidence based development for Rural Affairs

Evidence based development for Rural Affairs BEL's REVENUE	2022-23 New Plans Draft Budget £'000	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Research & Evaluation (2240)	520	520	0	0%	520	0	0%
Total Revenue	520	520	0	0%	520	0	0%

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

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

Fisheries and aquaculture including the enforcement of Welsh Fisheries

Fisheries and aquaculture including the enforcement of Welsh Fisheries BEL's REVENUE	2022-23 New Plans Draft Budget £'000	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Fisheries Schemes (2830)	2,215	2,215	0	0%	2,215	0	0%
Fisheries (2870)	3,024	3,024	0	0%	3,024	0	0%
Total Revenue	5,239	5,239	0	0%	5,239	0	0%

Fisheries and aquaculture including the enforcement of Welsh Fisheries BEL's CAPITAL	2022-23 New Plans Draft Budget £'000	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Fisheries Schemes (2830)	200	200	0	0%	0	(200)	-100%
Total CAPITAL	200	200	0	0%	0	(200)	-100%

BEL 2830 - This BEL supports the co-financing of the European Maritime and Fisheries Fund (EMFF) which offers financing to industry and directly to Welsh Government to implement the revised Common Fisheries Policy through the development of sustainable fisheries and aquaculture. The scheme combines data collection, integrated maritime policy and control / enforcement funding elements directly to Welsh Government. The EMFF is a UK fund with a core allocation of €145m. The intra UK split was agreed, following negotiations between the UK Administrations at both Ministerial and senior official level.

BEL 2870 covers funding for the following;

- **Marine Biodiversity** working with the eNGOs to develop a short term recovery plan which leads to a longer term programme of restoration

- **Marine Planning (inc Renewables)** To support implementation of the Welsh National Marine Plan and compliance with statutory duties under the Marine and Coastal Access Act 2009, specialist technical support is provided by the Centre for Environment, Fisheries and Aquaculture Science (CEFAS) to the marine planning project. The £168,000 budget is an existing, signed contractual obligation for CEFAS staff to provide this support.
- **Fisheries Science and Evidence**

- **Fisheries Digital Systems** – Digital fisheries management systems include a range of IT systems for catch recording, vessel monitoring, recording fisheries and marine licence inspections, fish sales records and health and safety systems for enforcement officers.
- **Domestic Fisheries Policy** The Domestic Fisheries Policy and Management Branch will continue to meet statutory obligations to manage permitted fisheries and deliver longstanding commitments to introduce secondary legislation for fisheries. This work will ensure our fisheries are sustainable by protecting the environment whilst, at the same time, maximising the economic and social benefits of fisheries to Wales.

- **Marine & Fisheries Trade -**

core funding for Welsh Fisherman’s Association (WFA)

- **Control & Enforcement** -The Control and Enforcement budget covers all operational costs around Control and Enforcement staff, Fisheries Patrol Enforcement Team and Fisheries Patrol Vessels including maintenance, fuel and insurance.
- **Stakeholder Engagement** - Marine and Fisheries has two overarching stakeholder groups. Wales Marine and Fisheries Advisory Group (WMFAG) has a publicly appointed chair and represents the Fisheries sector. The Wales Marine Action and Advisory Group (WMAAG) has a contractual facilitator and represents the marine sector. Costs are contractual obligations with remaining funds for venue hire, catering and associated subsistence costs.

Developing and Marketing Welsh Food and Drink

Developing and Marketing Welsh Food and Drink BEL's REVENUE	2022-23 New Plans Draft Budget £'000	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Promoting Welsh Food and Industry Development (2970)	7,050	7,050	0	0%	7,050	0	0%
Total Revenue	7,050	7,050	0	0%	7,050	0	0%

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

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

Protect and Improve Animal Health & Welfare – FUNDING OF ACTIONS

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

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

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

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

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

Management and delivery of TB Eradication and other Endemic Diseases

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

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

The majority of funding is to meet costs of delivery services provided by APHA including contribution to GB wide APHA surveillance activity. Funding is also provided for the statutory work undertaken by Food Standards Agency and funding to cover statutory TSE compensation payments should need arise.

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

The budget is in place to mitigate:

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

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

BEL 2272 is a 'demand led' budget and as previously mentioned the Welsh Government has a statutory duty to pay TB compensation. The amount of animals

removed and therefore the pressure on this budget is inextricably linked to the progress of TB Eradication and the TB Eradication Programme budget (BEL 2273). Any interruption to eradication policies may result in disease spread, which in turn is likely to result in increased TB Compensation spend. If overspends occur there would be a consequence on wider OCVO and ESNR budgets, as these may also be called on to offset any overspend as seen in previous years.

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

Rural Affairs Monitoring and EU Exit Strategy - FUNDING OF ACTIONS

Rural Affairs Monitoring and EU Exit Strategy	2022-23 New Plans Draft Budget £'000	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Revenue	3,434	3,434	0	0%	3,434	0	0%
TOTAL	3,434	3,434	0	0%	3,434	0	0%

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

Rural Affairs Monitoring, EU Exit Strategy

Rural Affairs Monitoring and EU Exit Strategy BEL's REVENUE	2022-23 New Plans Draft Budget £'000	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Strategy & Government Relations (2816)	3,434	3,434	0	0%	3,434	0	0%
Total Revenue	3,434	3,434	0	0%	3,434	0	0%

This BEL supports the EU Exit and Strategy Unit. The EU Exit & Strategy Unit (EESU) was created to coordinate, support and drive our exit from the EU and transition activities. The Unit works across the Climate Change and Rural Affairs portfolios, to facilitate, co-ordinate and deliver strategic evidence, modelling and their practical applications to support the portfolios' wider policy making. With the completion of a comprehensive trade agreement with the EU the Unit's primary focus is to support the operationalisation of new cross-cutting functions and structures arising from leaving the EU, with the primary responsibility for developing, delivering, managing and communicating policies resting with each of the respective policy teams

Summary

The RA MEG Draft Budget BEL table for 2023-24 is presented to the Committee for consideration.

Lesley Griffiths
Minister for Rural Affairs, North Wales and Trefnydd

Document is Restricted

Date: 12 January 2023

Time: 11:05-12:35pm

Title: Evidence paper on Draft Budget 2023-24 – Economy Main Expenditure Group (MEG)

a) Introduction

This paper provides information on the Economy budget proposals as outlined in the 2023-24 Draft Budget published on 13 December 2023. It also provides an update on specific areas of interest to the Committee. The Arts and Sport activity is being scrutinised by the Culture, Communications, Welsh Language, Sport and International Relations Committee on 18 January 2023.

1.1 Transparency of budget presentation

1.1.1 The table below provides an overview of indicative plans for the Economy MEG published in draft Budget 2023-24

Economy MEG – Summary	2022-23 Final Budget March 2022 £000's	2023-24 Indicative Final Budget March 2022 £000's	2023-24 Changes £000's	2023-24 Draft Budget December 2022 £000's	2024-25 Indicative Final Budget March 2022 £000's	2024-25 Changes £000's	2024-25 Indicative Final Budget December 2022 £000's
Resource	402,421	416,582	30,901	447,483	432,688	30,860	463,548
Capital	82,792	106,187	0	106,187	81,608	0	81,608
Total Resource & Capital	485,213	522,769	30,901	553,670	514,296	30,860	545,156
Resource AME	45,525	45,525	13,000	58,525	45,525	13,000	58,525
Capital AME	0	0	0	0	0	0	0
Total AME	45,525	45,525	13,000	58,525	45,525	13,000	58,525
Total – Economy MEG	530,738	568,294	43,901	612,195	559,821	43,860	603,681

1.2 Resource

1.2.1 For resource, the 2022-23 baseline for draft Budget 2023-24 reflects Final Budget.

1.2.2 The Resource budget for the Economy MEG has increased by £30.901m in 2023-24 when compared to the 2023-24 indicative final budget baseline, with further increases of £30.860m in 2024-25.

1.2.3 The total resource allocations for each financial year is summarised in the tables below:

Economy: Resource Budget Allocations	BEL	2023-24 £000	2024-25 £000
Apprenticeships	Apprenticeships	18,000	18,000
Cost of living inflationary uplift – pay and utilities in ALBs:			
National Library Wales	National Library of Wales	677	828
Amgueddfa Cymru - National Museums of Wales	Amgueddfa Cymru - National Museums of Wales	1,574	1,878
Arts Council of Wales	Arts Council of Wales	133	202
Royal Commission	Royal Commission on the Ancient and Historical Monuments for Wales	60	92
Sport Wales	Sport Wales	242	360
Grant funded staff in ALBs	Support for Local Culture and Sport	43	47
Cadw	Cadw	540	720
Careers Wales	Employability Including Young Persons Guarantee	1,231	1,873
Cost of living inflationary pressures – local heritage, culture and sport:			
Arts Council of Wales	Arts Council of Wales	500	
Sport Wales	Sport Wales	500	
Local Culture	Support for Local Culture and Sport	250	
Cadw and local heritage	Cadw	250	
Total Revenue Allocations from Reserves		24,000	24,000
Communities for work – non cash	Communities for Work	5	-36
Total Non-cash allocations from/to Reserves		5	-36
Less: Economy MEG contribution to Welsh Government reprioritisation exercise (Information on areas where funding has been reprioritised, relevant to this Committee is provided at Annex A and B)	Various	-7,166	-7,166
Total Net Revenue from Reserves for the MEG		16,839	16,798
Transfer into the Economy MEG from Finance and Local Government MEG (Children’s Commissioner Grant)	Communities for Work	14,062	14,062
Total Allocations to the MEG		30,901	30,860

1.2.4 The Welsh Government has undertaken a reprioritisation exercise to release funding from within portfolios for reallocation across Government. The principles underpinning this reprioritisation exercise were to deliver a balanced budget, protect frontline public services and protect the Programme for Government.

1.2.5 As a result of this exercise, draft budget plans reflect a return to central reserves from the Economy MEG of £7.166m in 2023-24, with reductions baselined into 2024-25.

These changes for budget lines relevant to this committee are summarised in Annex A and Annex B.

- 1.2.6 The total £27m revenue allocation for culture over three years from the Cooperation Agreement has been maintained, as well as £8m for Arfor, £4m in 2023-24 and £4m in 2024-25, which follows on from the £3m budget in 2022-23.

1.3 Capital

- 1.3.1 The Economy capital budget stands at £106.2m for financial year 2023-24 and £81.6m for 2024-25. There have been no changes to the allocations as part of the Draft Budget 2023-24.

1.4 Annually Managed Expenditure – AME

- 1.4.1 The AME budget of £58.525m provides cover for charges that are outside the control of the portfolio, such as impairments on the property portfolio, pension valuation fluctuations for National Museum of Wales, the National Library of Wales, Sport Wales and Careers Wales. This budget is agreed with the Treasury each year and is fully funded. The AME draft Budget figures reflects the forecasts submitted to the Office for Budget Responsibility in August 2022.

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

- 1.5.1 A breakdown of changes to the Economy MEG by spending area, Action and BEL for 2023-24 and future years is provided at **Annex A**. A commentary explaining the changes to each Action within the MEG is also provided at **Annex B**. A transparent narrative explanation has been provided to explain increases and reductions, where not covered in the evidence paper. This only covers the budgets that are been securitised as part of this committee.

1.6 Monitoring of budgets

- 1.6.1 All budgets continue to be monitored and challenged on a monthly basis during 2022-23, to consider the latest forecasts and budget movements as necessary. I receive regular financial updates on the forecasts for the MEG to ensure that budgets remain on track to deliver my priorities. We maintain very close monitoring to ensure funding is being invested where best needed whilst supporting our priorities – in the right place, at the right time.
- 1.6.2 A significant elements of activity undertaken under the Economy MEG is subject to external factors ranging from macroeconomics to demand and even the weather. Our services such as Business Wales have to adapt to changes in the economy while schemes such as the Economy Futures Fund, particularly on the context of annual budget planning, can be impacted by delays in construction, a change in the beneficiaries business plan or indeed inclement weather. This means effective planning and mitigation is essential alongside a balanced portfolio of large and small infrastructure projects. This of course means expenditure can be affected by factors outside Welsh Government control but plans are monitored closely by my officials to agree options and proposals for corrective action to seek to manage net expenditure at budget levels.

1.7 Evidence base / Evaluation and reviews

- 1.7.1 Evidence from a wide range of sources underpins our financial decisions such as published research, engagement with stakeholders, previous policy evaluations and statistics. This is embedded in decision making with some examples as follows.
- 1.7.2 **Employability - JGW+**, the new Youth employability programme takes the best elements of Traineeships and Jobs Growth Wales and provides a holistic, tailored package of support for young people who are, or who are at risk of becoming, NEET (Not in Employment, Education or Training). It ensures young people are provided with opportunities to develop skills at the right time and place for them. Evaluation recommendations from both Traineeships and Jobs Growth Wales were taken into account when the new JGW+ programme was designed, resulting in an enhanced referral system as well as a streamlined progression routes through the programme.
- 1.7.3 Initial draft Estyn feedback has noted that “JGW+ is so far proving to be a ‘better fit’ for young people than previous programmes. The programme is facing different challenges to the past and is proving to be good for those with complex barriers. The referral process is much stronger than in the past which is reflected in the standard of Individual Learning Plans which are showing to be more comprehensive with more detailed information and clear aspirations”.
- 1.7.4 **ReAct+**, the new Adult Employability Programme has built on the proven successes, concept, and brand to combine ReAct (redundant workers All-Wales) and Access (unemployed people) to provide this full employability offer to unemployed adults in Wales. The programme provides individualised support to those trying to enter the labour market by removing barriers and providing grant support such as vocational training, childcare, travel costs and wage subsidies. The main aim of the programme is to enable progression into sustained employment.
- 1.7.5 The new programme utilises a format that is tried and tested and offers a programme of support to fulfil the aims of Taking Wales Forward and the Employability Plan. ReAct development, evaluations and audits over the past 20 years have helped the programme become efficient and effective at assisting people enter employment.
- 1.7.6 The **SMART programmes** of support were subject to a half- term independent review which were published in September 2020. The Final review of the SMART Suite of operations has just been awarded and will commence in December 2022. The review concluded the progress and performance of SMART Cymru against the indicator targets are favourable. Notwithstanding challenges, it is expected that by the end of the full programme, all indicator targets will be met or exceeded. The majority of SMART Cymru beneficiaries interviewed were positive about the benefits of the SMART Cymru support that they have received (85%). Regarding the value of funding received (90%), the intervention rate applied (66%) and the flexibility that the funding support afforded (90%) beneficiaries signified a high level of satisfaction.

1.8 Impact of Cost of living on budget allocations and programmes

- 1.8.1 The impact of the increased cost of living and the failure of the UK Government’s promises to replace EU funding in full has created significant challenges on programmes within my portfolio. As a Welsh Government, we will continue to work to prioritise our budgets to shield the most vulnerable and maintain our commitment to create a stronger, fairer and greener Wales as we prepare our draft Budget 2023-24.

- 1.8.2 I recognise the impact cost of living pressures are having on our ALBs and local culture, heritage and sport sectors, and I am pleased to announce that an additional £12m will be provided in 23/24 and 24/25 (£6m/annum) to support with cost-of-living pressures in the most critical areas. However, I appreciate that this will only go some way to addressing concerns and it will still be difficult for many organisations.
- 1.8.1 This uplift will enable all the five Culture and Sport Arm's Length bodies (the National Library of Wales, Amgueddfa Cymru-National Museum Wales, Arts Council of Wales, Sport Wales and Royal Commission on the Ancient and Historical Monuments of Wales) and Careers Wales to make a consolidated pay award to their staff comparable to that made by Welsh Government and to meet pay parity commitments for the lowest paid staff. We are treating Cadw (which is within the Welsh Government but all staff costs are charged to the Economy MEG in view of the direct delivery nature of the work) consistently with our arm's length bodies as it has its own internal agency board with non-executive members. It meets quarterly and part of its role is to scrutinise Cadw's performance against its business plan and financial reporting.
- 1.8.2 This funding will also address other inflationary pressures in the culture and sport sectors, especially exceptional utility costs at Amgueddfa Cymru, the National Library of Wales and Cadw, as well as funding to be made available to support local independent and third sector organisations across arts, museums, community libraries, heritage and sport with additional inflationary costs.
- 1.8.3 When the Welsh Government published the cross-government Economic Mission last year, it was clear a return to business as usual was not an option. The response to the Covid pandemic accelerated many existing trends across decarbonisation, digitisation and the impact of an aging population.
- 1.8.4 The Welsh Government will support businesses with this transition. Our Business Wales advisory service covers all aspects from energy and waste to water efficiency measures.
- 1.8.5 Tackling the climate emergency as part of a just transition to Net Zero is also the overarching ambition of our new £8.1bn Infrastructure Investment Strategy. In particular, we'll open up greener forms of transport to more people, providing more choice in how we're all able to get around as well as laying the foundations for more investment in renewable energy projects.
- 1.8.6 Against a tough financial backdrop, including the shortfall of £1.1bn to Wales in post-EU structural and rural funds, my new Plan for Employability and Skills provides a strong employability and skills offer that is a crucial part of our collective task to make Wales an attractive prospect for more people and business.
- 1.8.7 The new Plan for Employability and Skills has been launched to drive forward our Economic Mission to help more people in Wales to upskill, access, and thrive in work – for a more equal economy that works for everyone. We want to help everyone – particularly those furthest from the labour market - to navigate and respond to the work-related challenges they will face throughout their lives, whether that is through training, retraining, upskilling, changing career or starting a business. It will help us meet the skills required by Welsh businesses by making the most of our talent in Wales, driving workforce diversity and shaping an economy that works for everyone. It will also embolden more people to consider starting their own business.

- 1.8.8 The Resolution Foundation says there has been a 19-year downturn in wages – the weak forecast for pay and high inflation means that wages will not return to their 2008 level until 2027. Had wages grown at the same rate as before the great financial crisis in 2008, they would be £15,000 a year higher. While our stakeholders want us to go further, even living within our means will be incredibly challenging.
- 1.8.9 We have managed increasing provision costs within our existing allocations in the Employability including Young Persons Guarantee BEL, which includes additional funding for the Young Persons Guarantee (YPG), allocated in the three-year spending review (2022-2025), and the maximising of ESF through our operations through to autumn 2023.

1.9 Lasting implications of the pandemic

- 1.9.1 Post-Covid restrictions and continued disruption via short notice lockdowns has resulted in travel to certain key markets being restricted e.g. China, while a number of countries opened up more slowly e.g. Japan, therefore limiting opportunities for exporters. In addition, restrictions on individuals travelling if not fully vaccinated has also impacted export opportunities by limiting opportunities to meet face to face and build relationships.
- 1.9.2 Although we have not seen youth unemployment on the scale that we anticipated because of the pandemic, latest NEET estimates are concerning. The latest provisional estimates suggest the proportion of 16-18 year olds who are NEET increased to 13.6% in 2021, the highest level on record, largely driven by a rise in the economic inactivity rate (excluding students), although there was also a slight increase in unemployment. For 19 to 24 year olds, final estimates for 2020 indicate the proportion who were NEET decreased slightly to 15.8%, followed by an estimated increase in 2021 to 16.3%.¹²
- 1.9.3 Emerging evidence demonstrates that young people face additional issues in achieving a smooth transition into the labour market. The Prince's Trust have reported that more than 60% of 16-25-year-olds have said they are scared about their generation's future – with one in three concerned their job prospects will never recover from the pandemic and cost of living crisis. In the wake of the disastrous UK Government mini-budget, alongside an even bleaker economic outlook from the OBR and Bank of England – and a UK Government approach for replacement EU funds that is significantly underfunded and shuts out the third sector from directly accessing the funding, I am more concerned than ever about the employment prospects of our young people. Our YPG programmes aim to get young people back into education, training and eventually work. Working Wales as the portal to our wider employability offer in partnership with Careers Wales.
- 1.9.4 The scarring effect of the pandemic is beginning to take effect. Our continued focus on NEETs is crucial if we are to address the threat of a long tail of being unemployed or economically inactive years later.

1.10 EU implications

- 1.10.1 The UK Government's approach to post-EU funding through the Shared Prosperity Fund is not only a deliberate and an unacceptable encroachment into a devolved policy area, but it is also costing Wales jobs and growth. With only four months remaining in this

¹ <https://gov.wales/young-people-not-education-employment-or-training-neet-april-2021-june-2022>

² [Participation of young people in education and the labour market: 2020 and 2021 \(provisional\) | GOV.WALES](#)

financial year, only now (5 December) has the UK Government agreed the Fund's investment plans submitted by Welsh local authorities during the summer for projects that should have already commenced.

- 1.10.2 Existing and new EU funding programmes overlap by two years and the Welsh Government was ready to start a post-EU investment programme almost two years ago in January 2021. By then we had already worked intensively with the OECD and our Welsh partners to create the strongest possible model for Wales.
- 1.10.3 Instead, local government are being put under enormous strain to develop projects and put in place administrative and governance procedures in unfeasible timescales. The impact of the long delays created by the UK Government is on top of the £1.1 billion shortfall compared to EU structural and rural funds, the Welsh Government and Senedd being bypassed on a plainly devolved matter and universities, colleges, the third sector and businesses being shut out of directly accessing funding. The UK Government's entire approach to the Shared Prosperity Fund has been chaotic.
- 1.10.4 The UK Government's position on the Shared Prosperity Fund and European Territorial Co-operation (ETC) programmes has also seriously dented our ambitions to increase international and cross-UK working, putting at risk important networks and economic opportunities. This is also being exacerbated by the uncertainty around association to Horizon Europe. We are taking forward actions through our new Agile Cymru approach but are currently unable to allocate additional budget.

1.11 Ending of EU structural funds

- 1.11.1 My portfolio leads on seven projects supported by the 2014-2020 European Structural Fund programmes, including ReAct, Apprenticeships and Traineeships (JGW+), and currently has EU funding of around £315m approved through to 2023. It is expected that in 2023-24 these projects will generate more than £63m of EU funds to support delivery through these programmes, underpinning a number of Programme for Government priorities including all-age Apprenticeships and the Young Persons Guarantee.
- 1.11.2 In 2024-25, additional funding for the Young Persons Guarantee includes funding to offset the UK Government's shortfall of replacement EU funding and will enable programmes to continue to meet demand through to March 2025. In 2025-26, there will be a significant impact on employability and skills budgets because of this replacement EU funding shortfall and the end to the additional YPG funding, with investment in employability activities reducing from circa £80m in 2022-23 to an expected level around £34m by 2025-26.
- 1.11.3 We are also leading on the EU funded Communities for Work and Parents, Childcare and Employment programmes, with some £80m of EU funding approved through to 2023. Delivery of both these programmes will end on 31 March 2023. Additional funding from the Young Person's Guarantee will continue to support the programme.
- 1.11.4 Business support and innovation activity has historically been European funded therefore the end of the structural funding has had an impact on the ability of Business and Regions to deliver a level similar to what was delivered historically.
- 1.11.5 While funding has been secured to deliver the Business Wales service until March 2025 it is at a real terms decreased value to what the service had historically to deliver, with

also the additional need to pay for programme funded staff as these would have previously been funded via the structural funds.

1.11.6 There will be no ability to do over and above the core offer of delivery. As a result, any new priorities or new service provision will have to have an identified budget and resource to deliver or some of the current provision will have to be stopped.

1.11.7 Innovation support has been impacted further, however there remains an opportunity to attract or ensure UKG funding is levered towards Wales. This is also true with opportunities arising with the Shared Prosperity Funding from UKG to Local Authority however, it's important to note that the Welsh Government will have no say in the process but officials will continue to liaise and work closely with stakeholders to ensure alignment and added value to Welsh Government level support.

1.12 Implementation of legislation

1.12.1 There is no current legislation requiring provision in the draft budget plans.

1.12.2 Work is progressing on Statutory licensing for all visitor accommodation in Wales with a consultation planned to commence on 16th December. A number of engagement sessions have been held with stakeholders inside and outside of WG to inform the consultation. Feedback on the introduction of a licensing scheme have been supportive to date especially in relation to the level playing field, better intelligence, and increased consumer confidence. I made an oral statement on Statutory licensing scheme for all visitor accommodation in Wales to the Senedd on 15th November. Activity will be delivered within the budget allocation for tourism.

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

1.13.1 During the 2022-23 Budget process and Welsh Spending Review to 2025, a collaborative approach was taken to align funding with delivery of the Programme for Government, underpinned by the Welsh Government's wellbeing objectives. This year's Draft Budget process encompasses some key choices, whilst seeking to balance short and long term outcomes. Short-term acute pressures linked to the cost of living, Ukraine and wider inflationary pressures need to be balanced against the longer term sustainability of public services.

1.13.2 Through our reformed Budget Improvement Impact Advisory Group (BIIAG) we continue to engage with key stakeholders on improving budget and tax processes aligned to delivery of the Budget Improvement Plan (BIP).

1.13.3 We also continue to engage with international experts and other nations to draw on best practice in areas of wider budget process improvement.

1.13.4 An update of delivery of the Budget Improvement Plan has been published alongside the Draft Budget on 13 December 2022.

1.13.5 The Economic Action Plan and the Employability Plan were underpinned by the evidence that well paid work is the best route out of poverty and the greatest protection against poverty for those at risk. By supporting jobs and sustainable growth for the long term and taking action to try to alleviate some of the challenges faced by people when accessing jobs, we aim to reduce the likelihood of families experiencing poverty and

avoid the long-term costs that poverty bring to society. We continue to create opportunities for individuals and families with initiatives and targeted investment across Wales. Being engaged in gainful and rewarding employment is a key factor in maintaining physical and mental well-being. The programmes supporting the plans support the 'more equal Wales' goal by embedding the theme of inclusion, equality and diversity into programme design and delivery and ensuring that under-represented groups are able to seek support from the programme and promote the equal status of the Welsh and English languages.

1.13.6 In January 2022, the Future Generations Commissioner for Wales launched a review under section 20 of the Act: [Review by the Future Generations' Commissioner into how the machinery of Welsh Government is carrying out sustainable development and safeguard the ability of future generations to meet their needs](#) The Commissioner is exploring how the Welsh Government is ensuring their processes, working culture and public sector leadership act in accordance with sustainable development principles. The review will focus mainly on three steps contained in the Programme for Government relating to apprenticeships as the main case study. The Commissioner is due to publish findings toward the end of 2022.

1.14 Equality, Sustainability, Welsh Language and Demographic Considerations

1.14.1 As part of the Draft Budget, we have taken an integrated approach to impact assessments, as well as considering the impact of decisions and policies on social, economic, cultural and environmental well-being, as set out within the Well-being of Future Generations (Wales) Act, which continues to be an important driver guiding our Budget considerations.

1.14.2 Our Budget sets out the impacts of our spending decisions, including highlighting spending decisions that directly impact on our stakeholders. This is complemented by the Strategic Integrated Impact Assessment (SIIA), outlining the contextual evidence that has supported our spending decisions.

1.15 Impact on Deprivation and Poverty

1.15.1 There is a clear relationship between economic growth, jobs and tackling poverty. Secure, well-paid, and sustainable employment offers both a route out of poverty and protection against it, not just for the individual, but also for their dependents and indeed their wider community. Employability programmes aim to support people into high quality sustained jobs.

1.15.2 The draft budget plan includes net resource budget of £248.266m in 2023-24 and £263.267m in 2024-25 to support our investment in our employability and skills programmes. Jobs Growth Wales+ specifically provides 16–18-year-olds with tailored support to ensure they get the help they need to find employment or training. JGW+ serves some of the most disadvantaged young people in our society, with a specific focus on providing provision for those young people with protected characteristics. The primary focus of the JGW+ Programme is to reduce the number of young people who are NEET and improve their life chances. We are determined that no young person should be left behind and the issues contractors are facing means that flexibility in funding is necessary in order to allow them to provide the services for ALL eligible young people.

- 1.15.3 The net resource budget of £23.075m in 2023-24 and £18.034m in 2024-25 for CfW+ is Welsh Government's primary means of providing employability support to those of all ages who are most disadvantaged in the labour market, including young people, older workers, women, disabled individuals and those with long-term health conditions, Black, Asian or minority ethnic individuals, those with care responsibilities and those with low skills.
- 1.15.4 Combined we have committed £12m to our six public bodies and local independent culture, heritage and sport sectors to help address cost of living pressures. The uplift in pay for staff at our ALBs (£3.77m in 23/24 and £5.6m in 24/25), including many of the lowest paid via our commitments to pay parity across the public sector, will support our commitments to reduce poverty, as well the £1.13m to support with utilities inflation. We have also committed over £1.5m to help alleviate cost of living pressures in our local independent culture, heritage and sport sectors, and as part of the Cooperation Agreement, we have agreed by 24/25 to double our investment in Fusion, our programme to help address poverty by cultural access, participation and inclusion.

1.16 Changes to the demographic – Ageing population

- 1.16.1 Population figures from the census published on the 2 November 2022 estimated there are now more people aged 65 or over living in Wales (662,000) than children aged 0 to 15 (548,000). The Welsh Government is alert to the changing demographic of people in Wales as outlined in our "Economic resilience and reconstruction mission which was launched earlier this year. The Welsh government continues to work to better understand the challenges these shifts in our populations demography and to consider how to mitigate and adapt our measures so we can provide a suitable budgetary response.
- 1.16.2 People aged 65 or over are estimated to account for just over a fifth (21.3%) of the total population in Wales in census 2021. The Welsh Government is looking at where it will need to harness opportunities such as the skills and abilities of our workforce, an invigorated entrepreneurial culture, a renewed focus and appreciation of the environment, key workers, volunteers and public services, an appetite for lifelong and online learning, and how digital technology has connected us and enabled us to operate as a society.
- 1.16.3 Our employability programmes are responsive to the key trend of an ageing population and therefore an ageing workforce, we recognise the importance of work for young people, not just the financial rewards, but the sense of purpose and pride that comes from having a job. Employers also benefits from a newer and more dynamic workforce. Our investment in the Young Person's Guarantee programme is therefore crucial and having increased our focus on employment, we have seen over 20,000 interventions delivered via our employability services alone, with over 11,000 young people starting on our employability programmes.
- 1.16.4 CfW+ has no upper age limit for the support it can offer, and older workers (aged 50 plus) are one of the cohorts targeted by the programme. The apprenticeship programme is also all age.
- 1.16.5 Careers Wales/Working Wales services aim to help all customers, at whatever stage of their lives, to fulfil their potential. For adults, they seek to deliver their services in the heart of their communities and offer all their customers services in the channel that best meets their needs.

1.17 Preventative spending and Value for Money

1.17.1 These budget proposals reflect my continuing commitment to protect and prioritise investment that supports preventative measures as far as possible. Value for money and clarity over how we use our resources effectively is central to delivering our priorities. Once expenditure is planned in line with priorities, we have well-established processes in place to ensure that resources are used effectively for the purposes intended.

1.17.2 The assessment and value for money is referenced further down in the specific questions.

1.18 Information on how policy is delivered, performance monitoring and if they were value for money.

1.18.1 We continue to closely monitor the funding and support requirements of our policies through our Evaluation and Monitoring approach. In December 2021 the first [National indicators and national milestones for Wales](#) were published demonstrating how we are achieving our well-being goals. The Employability and Skills Plan highlights the specific milestones we will measure our success against:

- 75% of working age adults in Wales will be qualified to Level 3 or higher by 2050,
- the percentage of working age adults with no qualifications will be 5% or below in every local authority in Wales by 2050,
- at least 90% of 16 to 24 year olds will be in education, employment, or training by 2050,
- eradicate the gap between the employment rate in Wales and the UK by 2050, with a focus on fair work and raising labour market participation of under-represented groups and
- an elimination of the pay gap for gender, disability and ethnicity by 2050.

1.18.2 The Entrepreneurship and Business Wales service undertake a study on the impact of service delivery, the latest (2021 – undertaken every three years) impact assessment noted the following:

1.18.3 Core & Growth (Level 1-4)

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

1.18.4 AGP (Level 5)

- Overall budget for AGP was **£26.9m** with around 85% of funds committed at end June 2021.
- Since 2015-16, AGP supported around **£377m** of investment in enterprise, **9,755 jobs**, and **£266m** of exports.
- Total gross **9,755** jobs created translates to around **5,332** net jobs i.e. around 45% of the employment outcomes might have occurred in the absence of the Business Wales AGP intervention. These net jobs are estimated to be connected with around **£410m of GVA**.
- Cost per gross job created estimated to be **£2,329**. Once allowance is made for additionality it is estimated that the net cost per job created is **£4,261**.
- Additional employment created/activity estimated **£410m GVA** per annum.
- For each **£1** invested in AGP, this can be linked to around **£18** of net GVA uplift per annum.
- **£377m** of business investment connected to projected turnover of **£5.99bn**.
- The four year survivability rate for AGP assisted businesses is **77%** compared to **33%** for a matched sample of non-assisted businesses

1.18.5 Within Culture, Sport and Tourism, key priorities for each arm's length bodies are set out in their remit letters, which they use as a basis for their operational plans and key performance indicators. The Deputy Minister for Arts Sports and Chief Whip meets at least biannually with all bodies, and officials formally monitor progress against these plans at quarterly monitoring meetings and more regularly through close working relationships with the senior executive teams at the arm's length bodies. At the invitation of the bodies, officials also attend Board meetings, allowing Welsh Government to maintain a good overview of potential issues. Monthly grant in aid claims are also scrutinised to ensure that progress is being achieved against specified lines of expenditure.

1.18.6 The Culture, Heritage and Sport commitments in the [Anti-Racist Wales Action Plan](#), and associated specific Programme for Government commitments aim to make a measurable difference to the lives of Black, Asian and Minority Ethnic people by tackling systematic and institutional racism. To achieve this, we have committed capital and revenue funding of a total of just over £5 million over 21/22-24/25 to support our national, local, regional and grassroots cultural, heritage and sport organisations which includes a contribution from the corporation agreement budget to support this work.

1.18.7 Cadw has its own internal agency board with non-executive members. It meets quarterly and part of its role is to scrutinise Cadw's performance against its business plan and financial reporting.

1.18.8 Each major project has governance related to the specific project. Major capital investments are supported by business cases which are scrutinised to ensure they are robust by the Welsh Government Treasury team and officials. Smaller capital and revenue grants and contracts are awarded based on either an open application process or a direct commission, and monitored by officials throughout the project life cycle, with agreed deliverables and check in points.

1.18.9 Major projects and activity are monitored using the Business Information Report Tool (BIRT). An Evidence Plan presents the research, evaluation and data collection projects that the Culture Division is either undertaking or committed to. It is updated yearly,

based on discussions with staff and wider stakeholders, to ensure activity is supporting key divisional priorities and Programme for Government commitments.

1.18.10 Specific metrics are used to evaluate support programmes, as set out in the Export Action Plan. Success is measured where financial support or a funded programme has been provided through, for example, a trade mission or supporting a visit to market, and includes the resulting new export business won as a result. Funded Investment activity such as events / seminars also require post evaluation forms to be completed on outputs delivered.

1.19 Equality, sustainability and Welsh language – Impact assessments

1.19.1 An integrated approach to impact assessments enables us to better understand the impact of spending decisions, seeking to better understand the intersectional and unintended impacts of spending to maximise the impact of available funding.

1.19.2 Conversely the consideration of an area of impact in isolation risks unintended impacts consequences such as the negative impact in one area driven by a positive impact effect in another. A better understanding of the integration of different areas can enable targeting funding which can maximise the impact of an investment; alongside not maximising the impact of investment through targeting funding where it can have the greatest impact through a better understanding of the intersection or integration of different areas.

1.19.3 We have worked with the Budget Improvement Impact Advisory Group (BIAG) to explore how we undertake our Strategic Integrated Impact Assessment (SIIA). A sub-group was established, and a shared plan of work is being developed with some changes being implemented in time for publication of the SIIA in December 2022. We remain committed to continually reviewing our approach to assessing impacts as part of the annual Budget Improvement Plan (BIP).

1.19.4 We have over recent years taken an integrated approach to impact assessments, whilst considering the impact our policies have on protected characteristics under the Equality Act, as well as taking into account the impact of decisions and policies on social, economic, cultural and environmental well-being, as set out within the Well-being of Future Generations (Wales) Act which continues to be an important driver guiding our Budget considerations. We have continued to embed the WFG Act's five ways of working in our approach and the processes that support it. Impact assessments are integral to the planning process and are regularly reviewed, for example the [Young Person's Guarantee: impact assessment](#).

1.19.5 A full integrated Impact Assessment has been undertaken on the evolved Entrepreneurship and Business Wales service from April 2023 onwards has been published on the Welsh Government website which can be found at: [Business Wales future provision: impact assessment \[HTML\] | GOV.WALES](#)

1.19.6 During the developing of the Anti-racist Wales Action Plan a [full integrated Impact Assessment](#) was carried out. As part of the delivery of our culture, heritage and sport goals and actions and PfG commitment we will undertake monitoring and evaluation. This will ensure that we are able to define success and measure performance. Additionally, proportionate assessments of impact will be undertaken throughout the design and delivery of policies and programmes.

b) Specific areas

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

2.2 Economy

Support to help business and workers as a result of the increased cost of living

2.2.1 Business Wales provides a range of general business advice, information and signposting as well as specialist strands of advice such as contingency planning and resource efficiency to support businesses in addition to broadband exploitation and access to the Skills Gateway and Farming Connect.

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

2.2.3 Business Wales offers a wide range of advice and support on green policies, practices and resource efficiency as well as workshops. One-to-one advice includes energy efficiency, waste management, pollution prevention, legal issues and permits, environmental management systems and sources of funding.

2.2.4 Resource Efficiency Advisors are available to support businesses to adopt or improve environmental strategies, and work with businesses towards creating a resource efficient and resilient business. Advisors provide a range of advice such as using fewer raw materials to reduce the risk of material scarcity, driving innovation and resilience, and helping businesses reach new markets

Ongoing support to help businesses through and recover from the pandemic

2.2.5 The Welsh Government is investing £21.9m in the Business Wales service from April 2023 until March 2025 and is committed to continuing to deliver a proactive entrepreneurship and SME business support.

2.2.6 The approach will incorporate an overarching national footprint with regionalised elements; balance support for growth and scale-up while spreading prosperity across all parts of Wales; and facilitate a deeper cross government and whole eco system working. The service will evolve and enhance the current service and embed its impact further within the Welsh economy.

2.2.7 It is recognised that Business Wales cannot deliver on all local business support provision required by entrepreneurs, micro and SMEs across Wales. The service is designed to build on its strength as a nationally delivered service and work in partnership to complement local delivery and wider funding opportunities available to the third and public sector in Wales.

2.2.8 Building on the success of Business Wales the proposed delivery model from 2023 will be underpinned by three key aims:

- a) To build confidence and inspire individuals, entrepreneurs, micro-businesses and SME businesses to reach their full potential. To work with key stakeholders to enable them to contribute to developing a cohesive ecosystem that is visible, simple and connected to ensure Wales is a great place to start and grow a business in the foundation and growth economies.
- b) To address a key gap by creating the conditions for businesses to start, sustain and grow through to medium sized businesses in inclusive and sustainable ways.
- c) To support the productivity, resilience, growth, decarbonisation and sustainability of micro-businesses and SMEs, securing their long-term future ownership within Wales to cement their continued contribution to the Welsh economy.

2.2.9 The service will be delivered under five key delivery areas:

- a) The Business Wales digital platform and helpline will provide a fully bilingual, accessible point of contact for all entrepreneurs and established businesses; offering a full range of information, guidance and support by providing a digital first response that will create efficiencies and effective referral to the Business Wales services.
- b) Developing a culture of entrepreneurship and business start-up in Wales. Inspire and develop the business capability of entrepreneurs focussing on three main groups, which are young people under 25 years, adults who are considering becoming self-employed or starting their own business, with targeted outreach for individuals underrepresented in business start-up and society.
- c) Building the confidence and resilience of the business community in Wales and to help them create opportunities for employment, improve practices and productivity to stimulate sustainable and inclusive growth, through dedicated advisory and support provision.
- d) Building on the current Accelerated Growth Programme to provide tailored support for selected start-ups and existing businesses with the aspiration and the potential to achieve their high growth ambitions.
- e) The Welsh Government is also investing in the social enterprise sector to provide specialist business advice to support the 'Transforming Wales through Social Enterprise' vision to put social enterprises at the heart of a fairer, more sustainable, more prosperous Wales.

2.2.10 The overall service will be a combination of openly procured and in house delivery starting from 2023. The prior information notice was issued in May 2022 and the specification was published on Sell2Wales in November 2022.

Allocations in relation to the Freeport Programme in Wales

2.2.11 UK Ministers have agreed to provide up to £26 million of non-repayable starter funding (split £1m revenue and £25m capital) for the successful site, which represents parity with the deals offered to each of the English and Scottish Freeports. This is currently not captured as part of the Draft Budget 2023-24 plans as the transfer will take place as part of the in year supplementary budget process.

2.2.12 Businesses located in Wales's future Freeport will also benefit from simplified customs procedures, relief on customs duties, tax relief such as Non-Domestic Rates relief, and development flexibility.

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

2.2.13 We are in preliminary discussions with the UK Government to understand the Investment Zone proposals, offer and potential implications for Wales in more detail. Any initiative that comes forward for Wales would need to align with our policies on fair work and the environment and generate additional investment

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

Regional Economic Frameworks (REF's)

2.2.14 In December, we published the regional economic frameworks. These are integral to our commitment to a place-based model of economic development where we build on and work with the distinctive strengths of our regions. The frameworks have been shaped with partners in each of the regions, including local authorities and regional bodies. They are based on evidence and agreement, with clear priorities that are aligned with our framework for regional investment, the economic mission and, of course, the programme for government. This mature approach is essential to the creation of a shared vision with common objectives to deliver a fairer, greener and more prosperous Wales. There is no specific budget allocated to the REFs but delivery of the priorities identified in each will be delivered through utilising other existing budgets, including regional, Economic Futures Fund, property, and other public and private sources too.

Tech Valleys

2.2.15 Our investment for the Tech valleys programme has a three-year budget allocation of 2022-23: £2.25 million, 2023-24: £2.025 million and 2023/24: £2.025 million.

2.2.16 2022/23: £5 million, 2023-24: £5 million and 2023-24 £ 5 million. There is also a revenue allocation of 2022-23: £2.25 million, 2023-24: £2.025 million and 2023/24: £2.025 million. The funding for the first two years is fully committed to a range of projects both delivered and underway. The rev is fully committee primarily to the National Digital Exploitation Centre (NDEC) a partnership with Thales, Cardiff University and The University of South Wales. The Capital element (2022/23: £5 million, 2023-24: £5 million and 2023-24 £ 5 million) has been used to bring back 270,000 sq. ft. of new and refurbished commercial, start-up and industrial floor-space. There has also been a substantial focus on aligning the education and career pathways for learners to ensure they are aware of the opportunities arising from careers emanating from Industry 4.0 in the region. This strategy will ensure that local residents have the right qualifications required by local businesses. The ambition is to retain and train young people in Blaenau Gwent. This is vital for initiating a virtuous circle of developing the skills and talent of young people in the area, generating entrepreneurial endeavours and the jobs that will retain further skills within the locality.

Arfor

- 2.2.17 We are maintaining our investment from the last budget for the Arfor programme. The budget allocated to support the programme was £3m in 2022-23 and is £4m in 2023-24 and £4m in 2024-25. The initial Arfor programme operated between 2019/20 and 2020/21. The independent evaluation report from Wavehill has shown that the Arfor programme has successfully trialled small scale business support schemes and demonstrated that they have the potential to increase the use of Welsh within the workplace, to create favourable conditions for further development of capacity and services, as well as increase the numbers of Welsh speakers within the business community.
- 2.2.18 The programme has also trialled less conventional business support interventions such as the mentoring of young people through the Llwyddo'n Lleol scheme, the Ffiws/Gofod Creu scheme which offered workspaces and free access to advanced equipment and technician support, and by supporting social businesses to develop their assets to increase their capacity and impact within their communities through the Cymunedau Mentrus scheme.
- 2.2.19 Overall, and despite delivery during a period impacted by Covid, the programme has created 238 full time equivalent (FTE) and 89 part time jobs, safeguarded a further 226 FTE jobs, supported 154 existing or start-up businesses. Whilst securing this economic impact, the direct grants have also embedded plans to develop language capacity within the businesses' plans for the coming years. Moreover, the grants have demonstrated that a focus on developing language capacity need not detract or impact negatively on the capacity for direct capital or revenue assistance to support and act as a catalyst for business development and growth.

Allocations to supplement regional development funding (Reason: as a result of the Welsh Government's concerns around the levels of funding that Wales will receive from UK Government schemes such as the Shared Prosperity Fund and the Levelling Up Fund)

Regional Development – Impact of UK Government Schemes

- 2.2.20 Clearly, due to the reasons explained in other sections of this paper, the Welsh Government is concerned that UK Government schemes like the Shared Prosperity Fund and Levelling Up Fund are bypassing the Welsh Government and Senedd, are inadequately funded and are failing to meet Wales' needs. The UK Government has not been active in regional economic policy in Wales at this scale for more than two decades and we remain concerned that it does not have the expertise, networks, infrastructure or experience to deliver these funds in areas devolved to Wales.
- 2.2.21 A range of cross-party committees, both in the Senedd and Westminster, have also been consistently critical of the approach the UK Government has taken to Levelling-Up and post-Brexit funding – as have independent think-tanks such as the Institute of Welsh Affairs and the Institute for Government. All warn that the UK Government forcibly operating in devolved areas without partnership with the Welsh Government and respect for the devolution settlement will lead to poorer value for money and worse outcomes for Wales.
- 2.2.22 The Levelling Up Fund is not a direct replacement for EU funding, but it is operating in the space that EU funds have previously occupied. The LUF effectively replaces the

England Towns Fund. It was announced at the UK Spending Review in November 2020 as an England measure from which the Welsh Government would receive a Barnett consequential. However, in February 2021, the UK Government confirmed it would deliver the Fund on a UK-wide basis with no prior consultation or communication. The Welsh Government has had no role in its development or delivery.

2.2.23 The LUF is a competitive fund, with the first funding round launched in March 2021 and successful applicants announced in October 2021. In the first round, six local authorities in Wales (RCT, Powys, Carmarthenshire, Pembrokeshire, Ceredigion and Wrexham) secured funds for ten bids worth a total of £121m. Unsuccessful bids in Wales were worth £172m. The UK Government is still yet to announce successful bids for round two which were submitted by local authorities by 2 August 2022 (43 bids worth nearly £800m were submitted by Welsh local authorities), adding to further delays to the process and unrealistic timescales for local government to spend their allocations. The capital focused LUF is also of real concern as already the bid profiles submitted are being impacted by inflationary costs.

2.2.24 We also have concerns about the funding allocated to industrial decarbonisation schemes, such as the Industrial Energy Transformation Fund (IETF), Cluster Sequencing and the Hydrogen Fund, is not adequate in scope or scale to enable decarbonisation projects across England, Wales and Northern Ireland in the short to medium term. Whilst Welsh based businesses have successfully applied for support via IETF there has been limited opportunity for success within other funding streams. Welsh Government is in active discussion regarding appropriate business models to enable the decarbonisation of Welsh industry.

2.2.25 The South Wales Industrial Cluster members are investing over £24m which has in turn leveraged over £26m of UK Government funding to Wales since 2019, including £21 million of Industrial Decarbonisation Challenge funding to deliver a Phase 2 Route Map plus a variety of deployment projects across South Wales. Additionally, over £2m of Industrial Decarbonisation Research & Innovation funding has been allocated to Welsh universities dedicated to activity within industrial clusters.

2.2.26 The HyNet project, which covers both north-west England and north east Wales has been shortlisted to receive Track 1 funding via the Cluster Sequencing programme. It remains to be seen at this stage whether any Welsh based activity will be funded via this process.

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

2.2.27 The pandemic, coupled with the UK leaving the EU, has highlighted the importance of the Foundational Economy and the need to safeguard it and create strong resilient Welsh supply chains, whilst also ensuring its workers are fairly employed and rewarded. We are maintaining our investment in Foundational Economy in this budget which currently stands at £3m per annum.

2.2.28 To support this, the 'Backing Local Firms' Fund is now running for a second year to help Welsh SMEs overcome barriers they may be facing when doing business with the public sector, with a focus on the four strategic FE priorities of decarbonisation (covering homes and buses); social care; food and public procurement. This year through the Backing Local Firms Fund, we are taking proactive steps on decarbonisation and supporting two crucial FE sectors - social care and food.

2.2.29 Following engagement with Social Care colleagues, we are running a grant scheme for supporting residential care providers to implement energy efficiency and low carbon measures, helping mitigate the impacts of the cost of energy crisis. The scheme will also provide valuable learning for the plan for the sector to work towards net zero carbon emissions by 2030.

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

2.2.30 The Development Bank of Wales, through the £500m Wales Flexible Investment Fund can offer a potential debt-based funding route for employee buyouts. Management buy-outs can be supported through the Wales Management Succession Fund.

2.2.31 As of September 2022 the Wales Management Succession Fund has invested over £13.6m in 16 companies. As of July 2022 Wales currently has 40 fully operational employee owned businesses. It is our PfG commitment to increase this to 60 during the current government term.

2.2.32 The contribution made by EU funding has, and continues to be, significant. But the Development Bank is no longer reliant on EU funding or successor UK based funds to sustain investment with Welsh businesses.

2.2.33 DBW are currently preparing for the launch of a new offer supporting business decarbonisation and helping businesses reduce their energy costs. Budget for this is additional to funds already under management by DBW. Modelling and planning work is ongoing. £10m capital has been set aside in the budget for next year (over and above existing funds) which can support this and other DBW pilots under development. The Development Bank will communicate on the detail of the scheme and this they will do in due course.

2.2.34 DBW is already capitalised to support delivery of our commitments to both increase the use of equity stakes in business support and provide patient capita (which we define as lending over 6 years) to businesses. The ambition is to see equity investment grow to £100m over the next five years.

2.2.35 The capitalisation of the funds held by the Development Bank over the last five years, has been critical to ensuring continued stability and liquidity in times of market volatility.

2.2.36 Development Bank of Wales investment has grown steadily since launch in 2017, increasing from £68m in 2017/18 to nearly £110m in 2021/22. This is against a backdrop of falling business investment levels - in Q1 of 2022, these were 9% below pre-pandemic levels (source – Economic Intelligence Wales Annual Report, Sept 2022)

2.2.37 The new funds supporting businesses that are coming into Wales are welcomed. This includes the new British Business Bank Wales Fund which we understand is expected to begin delivery sometime next year. We do not expect new funds to displace Development Bank of Wales funding already in place as there is scope for all funds to be deployed – particularly given the prevailing economic context where mainstream lenders will be more risk averse.

- 2.2.38 In 2021/22 the Development Bank saw particular growth in North Wales with businesses in the region receiving £30.1m from the overall value of deals compared to £25m in the previous year. South-East Wales had £47m and Mid and West Wales reported £32.1m.
- 2.2.39 FW Capital, a subsidiary of DBW which manages some fund for the British Business Bank in England, fully covers any costs incurred by the DBW group in relation to its operation and some operating profits have been distributed back to the Welsh operation. While the work of FW Capital managing funds delivered in England brings benefits to DBW, the balance of this activity relative to the scale of activity in Wales needs to be kept in balance – DBW exists to support business development in Wales predominantly.

Financial allocation to Business Wales

- 2.2.40 The Welsh Government is investing £21.9m in the Business Wales service from April 2023 until March 2025 and is committed to continuing to deliver a proactive entrepreneurship and SME business support.
- 2.2.41 The approach will incorporate an overarching national footprint with regionalised elements; balance support for growth and scale-up while spreading prosperity across all parts of Wales; and facilitate a deeper cross government and whole eco system working. The service will evolve and enhance the current service and embed its impact further within the Welsh economy.
- 2.2.42 It is recognised that Business Wales cannot deliver on all local business support provision required by entrepreneurs, micro and SMEs across Wales. The service is designed to build on its strength as a nationally delivered service and work in partnership to complement local delivery and wider funding opportunities available to the third and public sector in Wales.
- 2.2.43 The overall service will be a combination of openly procured and in house delivery starting from 2023. The prior information notice was issued in May 2022 and the specification was published on Sell2Wales in November 2022.

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

- 2.2.44 The Welsh Government has made a commitment in our Programme for Government in Wales to double the number of employee-owned businesses by 2026. To achieve that, we are committed to providing greater support to ensure Wales-based companies remain in Welsh hands
- 2.2.45 There are currently 44 in Wales. On average, two to three employee buy-out deals take place here in Wales each year but the scale of the employee-owned sector has grown in the past few years with the potential for many more.
- 2.2.46 Working with Cwmpas the Welsh Government has approved additional funding to promote the benefits and development of employee ownership in Wales to ensure business based in Wales are aware of the opportunities and benefits it offers.
- 2.2.47 The Welsh Government's Business Wales and Social Business Wales (£1.7m allocated to social enterprise out of the £21.9m overarching budget) service offers specialist advice to support employee buy outs, with fully funded and bespoke help available to

help business owners decide if employee ownership and share schemes are the right solution for their business.

2.2.48 The Wales Flexible Investment Fund operated by DBW offers a potential debt-based funding route for employee buyouts. Management buy-outs can be supported through the Wales Management Succession Fund £25m provides ambitious managers and management teams with the funding they need to buy established Welsh SMEs when their current owners retire or sell up.

The Community Bank/support for Banc Cambria

2.2.49 A budget of £0.05m has been allocated in 2023-24 to support costs associated with Community Bank developments. This is covering activity such as specialist advice, support to Cambria Cydfuddiannol Ltd (who established the vision for a community bank in Wales and have subsequently been working with the Monmouthshire Building Society as they develop their plans), and will be used to meet the costs of legal and financial due diligence work on the investment proposition we expect to be brought forward.

2.2.50 To date no direct funding or grant has been provided to the Monmouthshire Building Society who are supporting development of their plans as a commercial proposition.

2.2.51 I remain committed to the creation of a Community Bank in Wales and the emergence of a mutually based and inclusive financial model that serves the people of Wales.

2.2.52 The Welsh Government is engaged with the Monmouthshire Building Society who are now developing their plans for a community bank in Wales.

2.2.53 While we are keen to see tangible progress toward delivery of a Community Bank in Wales, the Welsh Government is respectful of the fact that this is a commercial proposition being developed and led by the Monmouthshire Building Society.

2.2.54 Welsh Government is expecting the Monmouthshire Building Society to bring forward an investment proposition to support delivery of a Community Bank for Wales. Once received we will consider alignment with our ambitions for a Community Bank and the wider value proposition.

2.2.55 Capital for any future investment in support of Community Bank is within the Social Justice MEG of the Minister for Social Justice.

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

2.2.56 The Aerospace and Defence (A&D) industry in Wales is a cornerstone of UK A&D capability with more than 20,000 people employed in the sector, demonstrating the bounce back and resilience of the sector post pandemic. There is a significant presence of 5 of the top 10 Aerospace & Defence companies globally in Wales; Raytheon, GE, Airbus, General Dynamics and Safran all have large footprints, with Airbus and General Dynamics each having two sizeable operations in Wales.

2.2.57 There are approximately 200 companies in Wales serving the A&D sector in both design and manufacturing of structures and interiors, systems, MRO (Maintenance, Repair & Overhaul), RPAS (Remotely Piloted Air Systems) / Drones, and producing auxiliary equipment, with strategic Aerospace Enterprise Zones in North, Mid and South Wales.

- 2.2.58 Despite the downtime in aviation due to Covid, which with other sectors such as tourism and hospitality took a massive hit, aerospace is recovering at pace. IATA (the International Air Transport Association), produced statistics in September 2022 which included the post Covid recovery is continuing, with RPKs (Revenue Passenger Kilometres) reaching 73.8% of pre-pandemic levels.
- 2.2.59 ATI reported in November 2022 that the aerospace sector is becoming familiar with disruption. The subsequent rebound and recovery from the pandemic is forecast in terms of global revenue from product deliveries growing from £42bn in 2021 to £61bn in 2022, demonstrating the sector's resilience and agility. While grappling with these challenges, aerospace companies have also been preparing for the sector's most significant transformation since the jet age. This transformation is driven by the need to achieve Net Zero in aviation by 2050.
- 2.2.60 The growth opportunity associated with this transformation will be unprecedented. The ATI estimates that the global market for aircraft deliveries in 2050 will be £220 billion per annum, with zero-carbon aircraft representing a 41% share. To achieve this share, it is expected the value of zero-carbon aircraft deliveries to grow at 34% CAGR through the 2040s.'
- 2.2.61 Other sector predictions include 3.5% annual growth for the next 20 years which equates to the number of people flying doubling in that period. The recovery rate for single aisle aircraft is recovering more quickly but recent reports (summer 2022) suggest that the lag between long haul and short haul recovery is not as wide as first anticipated.
- 2.2.62 WG will continue to support Aerospace Wales in its work to promote the sector. We will also continue to promote the Welsh aerospace sector to potential funding bodies in UK Government and lobby hard for continued support for the sector, in particular for R&DI activity to assist in the transition to Net Zero. We have also supported the development of a maintenance repair and overhaul cluster to work collaboratively to win further overseas contracts.
- 2.2.63 Space is a small but growing sector in the UK and in Wales. We have a number of world-class players including Airbus, Raytheon and Space Forge, who we will continue to support and promote. Key industrial figures in Wales chair the Welsh Space Leadership Council which is in place to help coordinate activity and benefit from the UK wide space strategy whilst developing our own space strategy focusing on particular strengths.
- 2.2.64 We are progressing with plans to deliver an Advanced Technology Research Centre adjacent to DECA at MOD Sealand, North Wales. It will create a technology and innovation cluster with government(s), industry and academia aligned to cutting-edge emerging technologies in what will become the first of its kind defence-focussed centre of excellence in the UK. Such technologies, developed for defence or military purposes invariably have wider civilian applications and generate long-term commercial and employment opportunities. We are currently estimating planning submissions to be made in the summer of 2023 with the facility being operational in spring 2025. We welcome the up to £10m commitment that the Chancellor announced in the Autumn Statement to support the development of the ATRC. Officials are working with the UK Government to understand the timescales, funding type and any associated terms and conditions of this offer. MOD is the lead Government Department and is discussion with the UK Treasury on the funding commitment.

Automotive

- 2.2.65 Brexit, Covid, the global semi-conductor shortage and the war in Ukraine have all created significant short-medium term pressures for the Welsh automotive industry. The sector has shrunk considerably in the last 4 yrs, after the closure of the Ford engine plant in Bridgend and the Honda plant in Swindon. Currently the sector in Wales comprises of around 150 companies, who mainly manufacture components, employing around 11,000 people. Specifically, we have 2 niche vehicle manufacturers, AML and Riversimple, 35 tier one systems and component manufacturers with the remaining being SMEs who are mostly within the JLR, Toyota and Nissan supply chains.
- 2.2.66 Overall the UK automotive sector is at the forefront of the move away from the internal combustion engine although this transition is not without its technological and infrastructure challenges. New car registrations in the UK totalled c142k units in November up 23.5% year on year. Battery electric vehicles sales also rose 35.2% in November to c29k units. WG continues to back the Welsh Automotive Forum (WAF) in supporting its members migrate to new electrified supply chain opportunities. WAF is currently undertaking a Net Zero mapping exercise to raise awareness of these opportunities and promulgates market intelligence on a monthly basis to its members.
- 2.2.67 WG continues to engage with the UK Government to ensure Wales has access to the relevant funds, including those handled by the Advanced Propulsion Centre (APC) and the Driving the Electric Revolution fund. Examples include Meritor, an automotive engineering company in Cwmbran, who were awarded £31.9m by the APC for a collaborative project to design and develop an electric powertrain system for heavy-duty electric trucks and buses. DG Innovate Ltd (formerly Derogallera Holdings Ltd), in Caerphilly also received significant funding.
- 2.2.68 In this context WG will continue to provide a positive and supportive platform to the Welsh automotive industry. Recent response to companies' physical presence at the low carbon vehicle show 22, at which I was a lead speaker, indicates strong demand for Welsh manufacturing expertise. If the sector can fully embrace the digital and technological change necessary and with continued support from WG it has a strong future.

Steel

- 2.2.69 Decarbonisation of the steel industry is a priority for the sector. Managing the continuing disparity between UK industrial energy prices and European competitors is critical if we are to enable our energy intensive industries such as steel to invest in decarbonisation technologies.
- 2.2.70 The potential impact of decarbonisation policies on industrial competitiveness requires a balanced system of support across the UK and this must take into account the unique geographical challenges of the industrial regions of Wales. Our pathway to a net zero Wales is challenging, but it will offer opportunities for sustainable growth and more resilient businesses.
- 2.2.71 The UK Government has a particular role to play in this as they hold many of the powers to act in key areas relating to decarbonising the UK steel sector including Carbon Capture, Utilisation and Storage and or Shipping, Hydrogen, and Fuel Switching.

- 2.2.72 In addition to key powers the UK Government also has the resources that are needed to help transform the steel sector as well as other energy intensive industries.
- 2.2.73 To ensure Wales benefits from the support available, we continue to work with the UK Government to maximise the opportunities arising for Welsh industry and business from UK initiatives including the Industrial Energy Transformation Fund, Celsa Steel are one of the Welsh based companies who were successful in receiving £3m of support through IETF.
- 2.2.74 Welsh businesses contribute disproportionately to the revenues generated by the UK Emissions Trading Scheme. We would like more clarity on how revenues from the ETS and other measures are being used to fund energy efficiency and technologies that will enable business to transform to a lower carbon future. Lack of transparency makes it hard for us to defend measures to those who view them as punitive taxes.
- 2.2.75 In terms of support to Tata I continue to meet regularly with Tata Steel at a senior level to understand its latest thinking and look forward to dialogue with Grant Shapps, BEIS SoS to gain clarity on his position regarding support to the company.
- 2.2.76 We continue to imbed best practice in public procurement of steel wherever possible. Our Welsh Procurement Policy Note 'Sourcing steel in major construction and infrastructure projects in Wales' has been strengthened to further align with the UK Steel Charter, by encouraging projects in Wales to source and benefit from high quality British steel wherever possible.

The allocations to deliver Welcome to Wales: priorities for the visitor economy 2020-25;

- 2.2.77 In the Welsh Government's tourism strategy, Welcome to Wales: Priorities for the visitor economy 2020-25, the ambition is to grow tourism for the good of Wales, e.g. economic growth that delivers benefits to the people and places of Wales, environmental sustainability and social and cultural wellbeing.
- 2.2.78 We emphasise the importance of addressing spread of benefits, encouraging increased spend in our economy and tackling seasonality by promoting Wales as a nation you can visit all year round.
- 2.2.79 £10.630m in 2034-24 and 2024-25 has been invested to support delivery of this priority.

Retail strategy

- 2.2.80 The cost-of-living crisis is impacting on consumer habits with potentially serious implications for the retail sector. There will be an inevitable impact on those retailers who trade in discretionary goods and services given that consumer expenditure on discretionary items is likely to be the first sacrifice in any squeeze on personal finances.
- 2.2.81 Similarly, there will be expectations and pressures on those retailers who trade in essential goods and services, given the impact that rising prices will have on household incomes.
- 2.2.82 In terms of energy costs, the cost increases for businesses are just as eye-watering and just as consequential as those for consumers. For some retailers a cash increase in their energy bills of £20,000 would require an increase in sales of nearly £100,000 to pay that

bill. Rising product and wage costs compound these pressures. I am acutely aware there are no quick fixes, easy solutions or infinite budgets. What we do have however is a willingness to work in social partnership with Welsh Government, employers, business representative bodies and trade unions working together to understand where we are now, where we want to get to and how we can get there.

2.2.83 Last year, with the support of the Deputy Minister for Social Partnership we established the Retail Forum to begin this conversation. We published a [Position Statement](#) in March and a Shared Strategic Vision for Retail will be presented to the Committee at the end of the month (May) - setting out our actions to date alongside our future ambitions.

2.2.84 It is my intention to then, over the coming months to develop a delivery plan, taking into account any recommendations by the Committee following its own inquiry into the Retail (and Hospitality and Tourism).

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

2.2.85 Net Zero Wales is the next phase of our journey and the first with net zero as our target, working towards a greener, stronger, fairer Wales. Our approach will sustain existing jobs, create employment opportunities and help ensure our industries remain internationally competitive. However, the challenges faced in coming decades cannot be under-estimated, and we must all work together to realise the opportunities available.

2.2.86 Our vision is a well-being economy which drives prosperity, is environmentally sound, and helps everyone realise their potential. Delivering a just transition to a low carbon future is critical for Wales. I am working closely with the Minister for Climate Change on how we can refresh Business Wales to reflect our priorities for Net Zero, how we can prioritise support for businesses who contribute the most for Wales with our Economic Contract, and how Development Bank Wales (DBW) can ensure that businesses seeking to decarbonise receive the support that they need.

2.2.87 In 2022 Business Wales launched a Green Ambition campaign to help businesses to improve their knowledge and understanding of resource efficiency. The campaign encourages businesses to take action to mitigate their impact on climate change and supports the Welsh Government ambition towards net zero economy. The campaign provided new, easy to access to digital content and interactive online events including a Spotlight Speaker series.

2.2.88 The Green Growth Pledge is part of the specialist sustainability support available through Business Wales and is open to all Welsh SMEs regardless of their industry sector. It provides a practical way for businesses to demonstrate their positive impact on the people and places around them and join a growing community of forward-thinking organisations. By signing the Green Growth Pledge each business makes a commitment to one or more actions to help them reduce impact or ensure sustainable performance. Businesses also gain access to a marketing toolkit specifically designed to provide practical information, guides and logos to help promote the actions they have taken to decarbonise and become more sustainable. Since 2016, we have supported 4,403 businesses to adopt or improve environmental sustainability strategies, including the Green Growth Pledge.

- 2.2.89 A new zone is being developed for the Business Wales website to bring together existing content and tools available to support businesses to reduce their use of resources and costs. This zone will act as the focal point for any future advice and support for businesses. It is expected that the zone will be operational late autumn.
- 2.2.90 Business Wales Tendering Advisors help businesses become 'fit for tender' to improve their chances of winning public and private sector contracts, sub-contracting work on larger public-sector projects and securing places on public sector frameworks. Advice is also available on pipeline tender opportunities and how to work collaboratively to secure contracts. In addition, the advisors also help businesses understand public sector procurement, buyer needs and expectations, and how to make the most of the Sell2Wales portal, including help with registration and improving profiles.
- 2.2.91 Our Economic Contract requires businesses seeking investment from us to demonstrate all of the following as a minimum requirement:
- Growth potential (measured for example, by contribution to employment, productivity, or multiplier effects through the supply chain).
 - Fair Work (as defined by the Fair Work Board).
 - Promotion of health, including a special emphasis on mental health, skills, and learning in the workplace.
 - Progress in reducing carbon footprint.
- 2.2.92 For further information businesses should contact the Business Wales Helpline who can explore any support options available. The Business Wales Helpline is available Monday to Friday from 10am to 4pm. The team can be reached by calling 03000 6 03000 or by visiting <https://businesswales.gov.wales/contact-us>
- 2.2.93 The Welsh SMART programmes provide specialist advice and funding for businesses to develop new products and processes that result in decarbonisation. The programmes have access to a wide range of funding mechanisms for Research & Development (R&D) and process improvements, and also employ a team of manufacturing and design advisors. Any business seeking support for R&D related to decarbonisation in Wales should start by making contact with their local Innovation Specialist.
- 2.2.94 Furthermore, resources relating to [Carbon Capture Technology](#) and [Land Management Approaches for Net Zero](#) are available on the Farming Connect website.
- 2.2.95 The Business Wales website has a business finance zone offering specialised guidance and information to help people identify appropriate finance as well as a finance locator <https://businesswales.gov.wales/businessfinance/>.
- 2.2.96 We are working with industry and key stakeholders to develop an understanding on what skills and qualifications are needed for occupations as we transition to net zero. On 17 October the Minister for Education and Welsh Language and I jointly announced [£3m skills boost to the digital and green sector](#) which included £2m investment as part of the PLA programme to support individuals to upskill or re-skill in net zero skills and address skills shortage to ensure the future needs of the economy are met.
- 2.2.97 We will publish our Net Zero Skills Action Plan in the New Year. It will summarise the current net zero skills position in Wales, against the backdrop of our 8 emission sectors and sets out key actions to support businesses and learners to develop a skilled workforce to achieve a just transition to net zero.

2.2.98 Our investment of £1.5m in 23-24 for the Flexible Skills programme will also be utilised to focus on Welsh Government key skills policy areas such as Net Zero and Digital Skills where there are identified skills gaps in Wales. This enables workers to have the necessary skills for businesses to transition to Net Zero whilst creating sustainable green job and enables businesses in Wales to have access to the digital skills, they need to be able to innovate, improve and grow.

2.2.99 The Apprenticeship investment of £140m in 2023-24 will continue to support the development of Net-Zero skills to meet demand arising from government investment in infrastructure projects, regulatory requirements and the decarbonisation of housing, aligning to broader Welsh Government policies. We will continue to review the content of apprenticeship frameworks and pathways with a focus on developing and adapting those apprenticeships supporting our net zero and sustainability goals.

Detail on budget allocations relating to the Welsh Government's policy on remote working, including any allocations for co-working hubs

2.2.100 Budget for the remote working policy is not separately identified in the Economy budget. However because we have brought together a test network of hubs detailed in the [Press release - Remote working locations](#) at very low or no cost, we expect future expenditure to be focused on providing enabling tools, such as a digital platform for information and booking. These will be similarly low cost and focused on future commercial sustainability, therefore we expect costs to be managed as a pressure in year.

2.2.101 Our Transforming Towns programme is providing nearly £136m to help support the economic and social recovery of our town and city centres. We also have ambitious plans to help people work smart and remotely in Wales. We are trialling a series of community-based remote working hubs, encouraging people to work closer to home and driving footfall back into town centres.

Skills & Employability

The total quantum of funding intended to be deployed on delivering the Young Persons Guarantee in 2023/24.

2.2.102 In my [Statement 12 July 2022](#) I updated on the importance of the Young Persons Guarantee in ensuring a better future for our young people and the impact of funding supported across government, particularly the Education and Welsh Language MEG.

The level of funding intended to be deployed to deliver Personal Learning Accounts in 2023-24.

2.2.103 The Education and Welsh Language MEG will maintain PLA funding at the same levels as 2022-23, this being £17.89m. It is intended that the allocation of this funding will remain as £15m core allocation, with the remainder as targeted interventions. Of this £1m has already been identified as supporting the Net Zero pilot.

A consolidated list of all employability programmes funded by the Skills BEL, including: The intended client base / beneficiaries of each programme; Whether they are part of a larger 'umbrella' scheme (i.e. the Youth Guarantee)

A list detailing the main providers for each of the programmes including their 2023-24 contract values.

2.2.104 The employability programmes detail is included at **Annex C**.

Work-based Learning - Apprenticeships

The actual 2021-22 and forecast 2022-23 outturn for the apprenticeship programme and traineeship programme

2.2.105 The actual 2021-22 outturn for the Traineeship programme was £25.5m (inclusive of EU funds of £1.2m). The Traineeship Programme ceased at the end of 2021-22. The actual 2021-22 outturn for the Apprenticeship programme was £147.6m (including EU funds of £31.9m). The potential outturn for this programme in 2022-23 is £160m (including EU funds of £18.8m).

Details of any transfers out of the 2023-24 Work-Based Learning Action to fund Degree Apprenticeships

2.2.106 The 2023-24 Draft Budget plans for £9m to be transferred to HEFCW to support Degree Apprenticeships, it is anticipated that a transfer of £4m from the Economy MEG to the Education and Welsh Language (EWL) MEG will be actioned as part of the in year supplementary budget process. It is worth noting £5m has been allocated to support Degree Apprenticeships in the HEFCW BEL 4620 within the EWL portfolio.

Details of any funding utilised in 2022-23 and forecast to be used in 2023-24 to develop new apprenticeship frameworks and review existing apprenticeship frameworks.

2.2.107 We commission new and revised apprenticeship frameworks via contracting arrangements with Skills Development Scotland (SDS). In order to ensure the apprenticeship offer remains current and relevant to the needs of employers in Wales, £190,000 has been allocated in 2022-23 for the development of apprenticeship frameworks. This will commission a review of the Automotive, Transport & Logistics, Digital Technology, Engineering, Hair & Beauty, Retail and Travel & Tourism frameworks; and £20,000 for Welsh translation.

2.2.108 In addition, recognised Development Partners are also able to develop and review frameworks. In 2022-23, Welsh Government has agreed to the non-commissioned development and review of frameworks in the Healthcare and Construction sectors. In 2023-24 these will be progressed with additional framework reviews in the following sectors: Business & Management, Engineering & Advanced Manufacturing and Materials, Education & Information Services and Playwork.

2.2.109 A total of £55,000 has been allocated for equality activity and £30,000 for technical support for the Apprenticeship Vacancy Service to assess the restructuring of the economy, particularly better engagement with 16-24 years olds in vocational training.

2.2.110 The budget also makes provision for research of £255,000 to support re-focusing the skills system in Wales to shape a lifelong learning strategy, supporting employment and corporate innovation. Research is due to conclude by mid-2023.

Details of all demand-management restrictions and actions to manage apprenticeship demand that are in-place, or will be introduced for the apprenticeship programme during 2023-24

- 2.2.111 Apprenticeship programme delivery is driven by sector priorities prescribed to our provider network each contract year. The provider network responds to market need in line with these priorities at a regional and national level.
- 2.2.112 Sector priorities are informed by Regional Skills Partnerships, labour market intelligence and interaction with sector bodies. Current priorities include: Health and Social Care & Early Years Care; Digital and Information Technology; and Net Zero sectors and occupations, including energy, housing, renewables, and transport. Science, Technology, Engineering and Mathematics (STEM) and technical sectors and occupations remain a cross-cutting priority, supporting our broader priorities.
- 2.2.113 Aligned to the Young Person's Guarantee and in recognition that young people are disproportionately impacted by the economic downturn, we prioritise delivery towards those aged 16-24. However, it should be stressed that the Apprenticeship Programme is all-age and welcomes all those over the age of 25 who meet eligibility criteria onto the Programme.
- 2.2.114 Our Apprenticeship Action Plan (2017) signalled our intention to move the Apprenticeship programme towards supporting new entrants and employees who are relatively new in their job role. It also identified the need to move away from generic apprenticeships towards those that are sector specific.
- 2.2.115 Our general approach is that employees (excluding disabled individuals) are ineligible for a level 2 Apprenticeship if they have been employed for more than 6 months in the same job role and those employed for more than 12 months are also ineligible for a level 3 Apprenticeship. This helps ensure that entrants onto the programme are able to fully benefit from upskilling opportunities which the Programme provides and enables Welsh Government deliver value for money. There is no employment length restriction in place for learners seeking to undertake a level 4/5 apprenticeship. We have also not restricted the availability of generic apprenticeships to those learners who are disabled or new to employment.
- 2.2.116 However, employees in the priority age group 16-24 are not deemed to be ineligible for an apprenticeship on the grounds of length of employment in their current job role. The only exception to this will be for those Level 2/3 apprenticeships that have been identified as generic, for examples Business Administration, Retail and Customer Service, Team Leading and IT Users, as these will only be available for new recruits. This relaxation will be subject to further review but will apply until at least the end of July 2023.
- 2.2.117 The Employer Incentive Scheme (EIS) focuses on helping disabled apprentices into work and training. EIS will help to increase the participation of this disadvantaged group and will help us achieve our target of eradicating the gap between the employment rate in Wales and the UK by 2050 with a focus on Fair Work and raising labour market participation of under-represented groups. In addition, we also provide in-work support for this cohort to ensure that they are adequately supported to complete their apprenticeship programme.

2.2.118 Welsh Medium / Bilingual provision is targeted, 50% of Welsh first language learners who commence an apprenticeship within the sectors of Health Care, Construction and Agriculture are expected to undertake all or part of their apprenticeship in Welsh. We are working with Coleg Cymraeg Cenedlaethol to achieve the aims of Cymraeg 2050: A million Welsh speakers.

2.2.119 We are currently co-designing our 2023/24 contract year eligibility criteria with the apprenticeship provider network, this process will continue into the New Year and communicated via contract commission letters.

Regional Skills Partnerships

Details of the funding and purpose

2.2.120 We continue to work closely with the RSPs who have the specific role of engaging with employer networks, further and higher education institutions and other stakeholders to identify regional priorities and make recommendations to Welsh Government, which in turn, inform skills funding decisions and future skills policy direction. Each RSP receives £0.29m per annum to support this work.

2.2.121 RSPs are finalising new three-year employment and skills plans covering 2022-25, based upon employer led intelligence. It is expected that these plans will be completed by the end of the year and published on RSP websites. In addition, RSP's will deliver labour market intelligence to support other PFG commitments, including Digital Skills, Welsh Language, Net Zero and National Occupational Standards

2.2.122 A further allocation of £0.08m in total is estimated for the 2023-24 financial year to continue engagement work with delivery partners as Wales transitions to a post-EU funds provision landscape.

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

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

Research, Development, and Innovation

Details of any funding during 2023-24 intended to resource Welsh Government's five priorities for research and innovation in Wales;

2.2.124 The innovation strategy will be launched early in 2023 and will include further detail on our priorities for RD&I and our funding commitments.

2.2.125 A budget of £35m for Research and Innovation has been committed to in the budget and is split as follows: £10m for 2022-23, £10m for 2023-24 and £15m for 2024-25.

2.2.126 We are currently concluding Phase 2 of Ser Cymru, Phase 3 of Ser Cymru will shortly launch in 2023-24 and continue in 2024-25.

2.2.127 The funding allocated in this budget to support Innovation are outlined below.

	21/22 Final	22/23 Draft	23/24	24/25	Total Budget
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	Budget £'000	Budget £'000	Indicative Draft Budget £'000	Indicative Draft Budget £'000	£'000
Capital	4,066*	5,000	5,000	10,000	20,000
Revenue	604**	604	604	300	1,508

* This figure represents core WG funding only – it excludes EU funding for the SMART programmes which ran at c. £20m p.a.

** Of the Revenue budget, £0.304m in years 22/3 and 23/4 represents the overhead costs of the Intermediary Body needed to administer and monitor EU Structural and wider grant Funds. This element drops out in 2024/25 with a renewed focus on access to UK Innovate funding for example.

2.2.128 The funding allocated in this budget to support Science are outlined below.

	21/22 Final Budget £'000	22/23 Draft Budget £'000	23/24 Indicative Draft Budget £'000	24/25 Indicative Draft Budget £'000	Total Budget £'000
Capital	4,874	5,000	5,000	£5,000	£15,000
Revenue	1,350	1,350	1,200	1,200	3,750

Details of any funding during 2023-24 intended to resource the Innovation Strategy for Wales.

2.2.129 As outlined above, any external costs for consultation, publication and marketing for the Innovation Strategy will be met from the Business Innovation BEL. There is no hypothecated budget to resource the new Innovation Strategy in financial year 23-24. Instead, the budget represents a combination of on-going commitments, existing programmes and projects and new proposals from business, academia, third sector, etc., which will all be assessed against the priorities and desired outcomes contained in the Strategy.

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

2.2.130 Currently several different parts of the Welsh Government operate with distinctive policy objectives (serving at least 5 different Ministers) servicing R&D, Innovation, Tertiary Education (including Skills) and Science policy themes. There is no overarching lead given the separate and differing needs and objectives of the respective Ministers operating levels of support for Research and Innovation. However, the forthcoming Innovation Strategy will look to harness interests going forward in support of greater transparency.

Trade

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

2.2.131 As part of this budget, we have allocated £4.192m to support the Export, Trade and Inward Investment.

2.2.132 The budget supports our efforts to promote Wales as a destination for inward investment, a key commitment in the International Strategy and the Economic Mission. The activity focusses on opportunity-led investment and on those segments of the economy where Wales can demonstrate international class capabilities including compound semiconductors, fintech, cyber security, marine energy, specific aspects of life science such as regenerative medicine, neuroscience and medtech; and next generation manufacturing particularly across the mobility agenda.

2.2.133 As part of this, an extensive engagement programme is being delivered with our own overseas offices, wider networks, critical industry clusters and stakeholders to raise the profile of investment opportunities in Wales. This includes event attendance and sponsorships, dedicated seminar activity, journalistic content creation and direct company engagements across the globe. Any funded activity requires the completion of post evaluation forms to ensure outputs are captured.

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

2.2.134 The £4m funding allocated to deliver the Plan ensures we have a comprehensive range of export programmes to support businesses on their export journey, from - inspiring businesses to export; building export capability; finding overseas customers; and accessing overseas markets. International trade, however, continues to be impacted by the changed requirements for businesses in trading with the EU (our largest trading partner); the ongoing impacts of COVID-19 (which differs in various overseas markets), and other global issues, including the war in Ukraine. The latest provisional export statistics report for the year ending June 2022 that the value of goods exports from Wales was £18.4 billion, an increase of more than a third compared to the previous 12-month period and up £0.7 billion compared to the year ending June 2019, indicating that goods exports have recovered beyond pre-pandemic levels. It should be noted, however, that the value of Wales' goods exports are potentially much lower than would have been the case in the absence of these global challenges. The funding therefore will maintain our focus to continuing to driving further growth in Welsh exports.

Details of any funding during 2023-2024 intended for the development of free ports in Wales

2.2.135 There are no allocations in the Draft Budget 2023-24 for Freeports. Any funding provided to the successful Freeport during this period, will be supplied by the UK Government.

2.2.136 This is likely to include the transfer up to £1m revenue funding to Welsh Government which will be provided to the successful freeport to support the development of their outline and final business cases.

Details of any funding during 23-24 intended for development, construction and associated running costs of Border Control Posts in Wales.

2.2.137 Progress to develop appropriate Border Control Posts (BCPs) in Wales has been hampered as a result of the UK Government's decision to review the Target Operating Model (TOM) for borders, as announced in April 2022.

- 2.2.138 With events in Westminster, the final proposals for the TOM have been delayed and publication is not expected until after Christmas, against the previous expectation of late autumn 2022. In the absence of an agreed TOM, decisions on BCPs in Wales cannot be finalised. In accordance with the UK Statement of Funding Policy, the BCP facilities should be funded in full by the UK Government as the costs have arisen because of the UK Government's EU Exit policy. Our expectation is, therefore, that the UK Government will provide the full necessary funding required to ensure there is no financial burden on the Welsh Government.
- 2.2.139 The Chief Secretary to the Treasury has previously committed to fund necessary build costs. Consequently, Welsh Government has made no provision in our 2023-24 budget for these costs.
- 2.2.140 As we explained previously, the UK Government has not committed to funding the running costs, including the costs to set up the arrangements. Welsh Government believes these should also be met.
- 2.2.141 We are continuing our discussions with HMT, including seeking reimbursement of our 2022-23 costs at UK Supplementary Estimates, and we are expecting resolution shortly. The main costs in 2022-23 relate to the design work of the Holyhead BCP. We have previously explained that decisions on the facilities needed to serve the Pembrokeshire ports would await the agreement of the TOM.

Summary

- 2.2.142 The Economy MEG Draft Budget for 2023-24 is presented to the Committee for consideration.

Vaughan Gething
Minister for Economy

Economy, Trade and Rural Affairs Committee
Draft Budget 2023-24
Evidence Paper - Annexes

ANNEX A							
RESOURCE							
Budget Expenditure Line	2022-23 Final Budget March 2022	2023-24 Indicative Final Budget March 2022	Change	2023-24 Draft Budget December 2022	2024-25 Indicative Final Budget March 2022	Change	2024-25 Indicative Draft Budget December 2022
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Business & Regional Economic Development	12,298	10,548	-1,088	9,460	10,548	-1,088	9,460
Business Wales	17,116	26,559		26,559	22,463		22,463
Tech Valleys	2,250	2,025		2,025	2,025		2,025
Valleys Task Force	100	100		100	100		100
Export, Trade and Inward Investment	4,692	4,692	-500	4,192	4,692	-500	4,192
Action: Business Wales / Entrepreneurship and Regional Economy	36,456	43,924	-1,588	42,336	39,828	-1,588	38,240
Property Infrastructure	6,868	6,868		6,868	6,868		6,868
Action: Economic Infrastructure Development	6,868	6,868	0	6,868	6,868	0	6,868
Healthy Working Wales	831	563	-563	0	563	-563	0
Corporate Programmes & Services	861	861	-121	740	861	-121	740
Strategic Business Events and Communications	200	200		200	200		200
Action: Corporate Programmes	1,892	1,624	-684	940	1,624	-684	940
Apprenticeships	117,033	122,033	18,000	140,033	127,033	18,000	145,033
Action: Apprenticeships	117,033	122,033	18,000	140,033	127,033	18,000	145,033
Employability Including Young Persons Guarantee	90,936	85,936	-2,178	83,758	100,336	-1,536	98,800
Employability Including Young Persons Guarantee - Non cash	1,400	1,400	0	1,400	1,400	0	1,400
Communities for Work	3,972	8,972	14,062	23,034	3,972	14,062	18,034
Communities for Work - Non cash	36	36	5	41	36	-36	0
Action: Employability Including Young Person Guarantee	96,344	96,344	11,889	108,233	105,744	12,490	118,234
Business Innovation	604	604	0	604	300	0	300
Action: Innovation	604	604	0	604	300	0	300
Science	1,350	1,350	-150	1,200	1,350	-150	1,200
Action: Science	1,350	1,350	-150	1,200	1,350	-150	1,200
Tourism	11,962	10,762	-132	10,630	10,762	-132	10,630
Events Wales	4,718	4,718	-52	4,666	4,718	-52	4,666
Action: Promote and Protect Wales' Place in the World	16,680	15,480	-184	15,296	15,480	-184	15,296
Arts Council of Wales	32,408	33,023	282	33,305	34,139	-149	33,990
Arts Council of Wales - Non cash	119	119	0	119	119	0	119
Amgueddfa Cymru - National Museums of Wales	25,086	25,573	1,302	26,875	26,543	1,606	28,149
Amgueddfa Cymru - National Museums of Wales - Non cash	2,400	2,400	0	2,400	2,400	0	2,400

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National Library of Wales	11,060	11,270	549	11,819	11,651	700	12,351
National Library of Wales - Non cash	1,250	1,250	0	1,250	1,250	0	1,250
Support for Local Culture and Sport	5,217	6,167	262	6,429	8,567	16	8,583
Creative Wales	7,038	7,138	-19	7,119	7,188	-19	7,169
Action: Support for Culture and the Arts	84,578	86,940	2,376	89,316	91,857	2,154	94,011
Cadw	8,301	8,503	703	9,206	8,880	633	9,513
Cadw - Non cash	5,480	5,480	0	5,480	5,480	0	5,480
National Botanic Garden of Wales	594	594	-7	587	594	-7	587
Royal Commission on the Ancient and Historical Monuments for Wales	1,654	1,685	42	1,727	1,741	74	1,815
Royal Commission on the Ancient and Historical Monuments for Wales - Non cash	134	134	0	134	134	0	134
Action: Support the Historic Environment	16,163	16,396	738	17,134	16,829	700	17,529
Sport Wales	21,967	22,533	504	23,037	23,289	122	23,411
Sport Wales - Non Cash	779	779	0	779	779	0	779
Action: Sports and Physical Activity	22,746	23,312	504	23,816	24,068	122	24,190
Programme Support	1,707	1,707	0	1,707	1,707	0	1,707
Action: Managing European Funding	1,707	1,707	0	1,707	1,707	0	1,707
MEG: ECONOMY	402,421	416,582	30,901	447,483	432,688	30,860	463,548

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ECONOMY							
CAPITAL							
Budget Expenditure Line	2022-23 Final Budget March 2022	2023-24 Indicative Final Budget March 2022	Change	2023-24 Draft Budget December 2022	2024-25 Indicative Final Budget March 2022	Change	2024-25 Indicative Draft Budget December 2022
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Business & Regional Economic Development	30,230	26,850	0	26,850	22,650	0	22,650
Business & Regional Economic Development - Repayment	-2,792	-14,312	0	-14,312	-1,487	0	-1,487
Tech Valleys	5,000	5,000	0	5,000	5,000	0	5,000
Action: Business Wales / Entrepreneurship and Regional Economy	32,438	17,538	0	17,538	26,163	0	26,163
Business Finance Funds	5,000	10,000	0	10,000	15,000	0	15,000
Business Finance Funds - Repayment	-24,400	0	0	0	-46,400	0	-46,400
Action: Development Bank of Wales	-19,400	10,000	0	10,000	-31,400	0	-31,400
Property Infrastructure	10,000	10,000	0	10,000	10,000	0	10,000
Property Infrastructure - Repayment	-290	-290	0	-290	-290	0	-290
Action: Economic Infrastructure Development	9,710	9,710	0	9,710	9,710	0	9,710
Employability Including Young Persons Guarantee	1,920	2,000	0	2,000	2,000	0	2,000
Action: Employability Including Young Persons Guarantee	1,920	2,000	0	2,000	2,000	0	2,000
Business Innovation	5,000	5,000	0	5,000	10,000	0	10,000
Action: Innovation	5,000	5,000	0	5,000	10,000	0	10,000
Science	5,000	5,000	0	5,000	5,000	0	5,000
Action: Science	5,000	5,000	0	5,000	5,000	0	5,000
Tourism	5,000	5,000	0	5,000	5,000	0	5,000
Action: Promote and Protect Wales' Place in the World	5,000	5,000	0	5,000	5,000	0	5,000
Arts Council of Wales	400	400	0	400	400	0	400
Amgueddfa Cymru - National Museums of Wales	4,500	5,000	0	5,000	5,000	0	5,000
National Library of Wales	2,500	2,000	0	2,000	2,000	0	2,000
Support for Local Culture and Sport	11,700	21,500	0	21,500	24,700	0	24,700
Creative Wales	5,000	5,000	0	5,000	5,000	0	5,000
Action: Support for Culture and the Arts	24,100	33,900	0	33,900	37,100	0	37,100
Cadw	10,000	10,000	0	10,000	10,000	0	10,000
National Botanic Garden of Wales	1,200	200	0	200	200	0	200
Royal Commission on the Ancient and Historical Monuments for Wales	50	50	0	50	50	0	50
Action: Support the Historic Environment	11,250	10,250	0	10,250	10,250	0	10,250
Sport Wales	8,001	8,016	0	8,016	8,016	0	8,016
Sports Capital Loans Scheme	-227	-227	0	-227	-231	0	-231
Action: Sports and Physical Activity	7,774	7,789	0	7,789	7,785	0	7,785
MEG: ECONOMY	82,792	106,187	0	106,187	81,608	0	81,608

ANNEX B - Action level commentary within the MEG¹

Resource

Business Wales / Entrepreneurship and Regional Economy Action

- There has been a net reduction to the Action of £1.588m from the indicative final budget 2023-24, taking the total funding for 2023-24 to £42.336m and £38.240m in 2024-25. The net reduction relates to reprioritisation of funding of £1.088m from to the Business Development BEL 3751, predominately due to a reduced contribution to the Life Science Hub and Industrial Transformation. A further reduction of £0.5m has been taken from the Export Trade & Investment BEL 3754. These reductions reflect the Economy MEG's contribution towards the wider Welsh Government reprioritisation exercise.

Business & Regional Economic Development BEL

- Funding within this BEL supports partnerships, engagement and initiatives to progress the ambitions in Economic Mission The [Mission](#), and employability for inclusive growth and building the economy for long term sustainability.
- It also supports Arfor 2 with £11m funding over 3 years, £3m 2022-23, £4m 2023-24 and £4m 2024-25. The programme will be delivered by local authority partners which will help strengthen the economic resilience of Welsh language strongholds and is part of the Co-operation Agreement with Plaid Cymru. The main objective of Arfor 2 is to support the communities that are strongholds of the Welsh language to flourish through economic interventions which will also contribute to increasing opportunities to see and use the Welsh language daily.

Business Wales BEL

- The budget supports youth entrepreneurship and the young person's guarantee, start-ups, micro-businesses, SMEs, disability champions, social enterprise and responsible business practices. The services support those with hidden barriers and targeted support will continue to be delivered to support such as female and youth entrepreneurs and BAME groups.
- The budget also includes provision of £3m for the foundational economy enabling jobs at the heart of local communities across sectors such as care and health services; food; housing; energy; tourism; construction and retail.

Tech Valleys BEL

- The budget supports the Welsh Government's initiative of a £100m commitment over 10 years to create 1,500 sustainable jobs focused on Blaenau Gwent and hinterland by capitalising on opportunities arising from the

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

fourth industrial revolution, encouraging the adoption of digital technologies and developing high value advanced technologies that support cutting edge industries. Most recently investments were announced which supports the Mission: [Robotics workshop](#) and the [Resilientworks](#).

Valleys Task Force BEL

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

Export, Trade and Inward Investment BEL

- The Export Action Plan was published on 15 December 2020: [Written statement](#). The budget will invest in services to help exports and recognises the value of Wales as a trading nation. The Plan has put in place support for businesses at all stages of their export journey, including through dedicated 'on-the-ground' support and advice via our team of International Trade Advisers, based across Wales. To inspire a culture of exporting and internationalisation amongst Welsh businesses.

Economic Infrastructure Development Action

- Property Infrastructure's resource budget is being maintained at £6.868m per annum from indicative final budget 23-24.

Property Infrastructure BEL

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

Corporate Programmes Action

- There has been a net reduction to the Action of £0.684m from the indicative final budget 2023-24, taking the total funding for the Action to £0.940m per annum. The net reduction relates to withdrawal of the Economy MEG contribution to support the Healthy Working Wales programme £0.563m and a reduction of £0.121m to the Corporate Programme & Services BEL 4023. These reductions relate to the Economy MEG's contribution to support the wider Welsh Government reprioritisation exercise.

Healthy Working Wales BEL

- The Healthy Working Wales budget delivered workplace initiatives supporting the healthy and active ambitions set out in the programme for Government. The funding included the Mind Cymru Time to Change Wales programme, which challenged negative attitudes and behaviours in the workplace towards mental health problems. This was a joint initiative between the Economy and Health portfolio.

Corporate Programmes & Services BEL

- The Corporate Programmes annual budget includes the business customer relationship management system expenditure, which was utilised during the pandemic to process Economic Resilience Fund (ERF) grants. The budget also has provision for reviews.

Strategic Business Events and Communications BEL

- The Communications budget of £0.2m each year supports business events and strategic engagement

Apprenticeships Action

- There has been a net increase to the Action of £18.0m from the indicative final budget 2023-24, taking the total funding to £140.033m in 2023-24 and £145.033m in 2024-25. The net increase relates to an additional allocation from Central Reserves to support Apprenticeships delivery.

Apprenticeships BEL

- The revenue budget supports the delivery of the apprenticeship programme. Apprenticeships is an employed status programme which provides transferable, upskilling training via a network of Further Education and private training providers. Apprenticeships is an all-age Programme which prioritises learners between the ages of 16 and 24, those new to employment and delivery in those sectors which most benefit the Welsh economy such as STEM, health and social care and supports our net-zero ambitions.

Employment and Skills Action

- There has been a net increase to the Action of £11.889m from the final indicative budget, taking the total funding per annum to £108.233m in 2023-24 and £118.234m in 2024-25. The net increase relates to a transfer in from the Finance and Local Government MEG of £14.062m for the Children and Communities Grant, an increase to the Careers Wales net allocation of £1.022m in 2023-24 and £1.664m in 2024-25 to help provide support for pay. As a result of the Economy MEG's contribution to the Welsh Government reprioritisation exercise there is a 1.1% reduction of £0.209m. and inflationary increases and less £3.2m

reprioritised funding from the Jobs Growth Wales+ and sundry programmes. An additional £0.005m has also been transferred from Reserves to support the non-cash element on the Communities for Work programme in 2023-24, but this funding finishes in financial year 2024-25.

Employability Including Young Persons Guarantee BEL

- The budget funds the development and delivery of strategies, policies and programmes which assist people to access, return to, remain in, and progress at work through skills and training support; underpinning the PFG commitment to deliver the Young Persons Guarantee, giving everyone under 25 the offer of work, education, training, or self-employment. The budget also supports the commitments to build on the success of the Wales Union Learning Fund; support the Wales TUC proposals for union members to become Green Representatives in the workplace and strengthen Regional Skills Partnerships. It facilitates a direct response to assist the growth of individual businesses through workforce development and provides sector-based, employer-led and wider solutions to respond to identified skills needs such as digital and net zero in Welsh Government priority areas which are important for the economy of Wales.
- The BEL also provides funding for Careers Wales which delivers a national, all age, impartial and bilingual careers information, advice and guidance (CIAG) service in Wales.

Employability Including Young Persons Guarantee - Non cash BEL

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

Communities for Work BEL

- The revenue budget supports Communities for Work Plus (CfW+) as Welsh Government's primary means of providing employability support to those most disadvantaged in the labour market. I announced the [Replacement of EU-funded programmes to support people with complex barriers to find work](#) in May 2022. The Communities for Work (CfW) and Parents, Childcare and Employment (PaCE) programmes end on 31 March 2023 with closure in October 2023. Both programmes have provided community based, intensive mentoring and training to young people aged 16 to 24 who are NEET, and economically inactive and long-term unemployed individuals with complex barriers, aged 25 and over.

Communities for Work – Non-cash Work BEL

There is a small provision for the depreciation for IT equipment.

Innovation Action

- There has been no change from the indicative final budget 2023-24. The total funding stands at £0.604m in 2023-24 and £0.300m in 2024-25.

Business Innovation BEL

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

Science Action

- There has been a net reduction to the Action of £0.150m from the indicative final budget 2023-24 taking the total funding per annum to £1.2m. The net reduction relates to reprioritisation of £0.150m funding to support wider Welsh Government priorities and will not impact on maintaining my commitment to activity in this area

Science BEL

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

Promote and Protect Wales' Place in the World Action

- There has been a net reduction to the Action of £0.184m from the indicative final budget 2023-24, taking the total funding per annum to £15.296m. The net reduction relates to reprioritisation of funding of £0.132m from the Tourism BEL 6250 which relates to a reduction in campaign budget available to promote Wales as a tourism destination to European markets as part of world cup legacy and

£0.052m from the Events Wales BEL 4231, whilst maintaining delivery to our key priorities to support wider Welsh Government priorities.

Tourism BEL

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

Events Wales BEL

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

Managing European Funding Action

- There has been no change to this Action from the indicative final budget 2023-24. The total funding per annum is maintained at £1.707m.

Programme Support BEL

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

Capital

Business Wales / Entrepreneurship and Regional Economy Action

- There has been no change from the indicative final budget 2023-24. The total funding per annum is £17.538m in 2023-24 and £26.163m in 2024-25.

Business & Regional Economic Development BEL

- Funding supports the capital funding available for the Economy Futures Fund and other strategic developments in supporting businesses. The Development Bank of Wales (DBW) also improves the ability of businesses in Wales to access

finance and supports the creation and safeguarding of jobs with designated Funds which aim to unlock potential in the economy of Wales by increasing the provision of sustainable, effective finance in the market.

Business & Regional Economic Development – Repayment BEL

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

Tech Valleys BEL

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

Development Bank of Wales Action

- There has been no change from the indicative final budget 2023-24 the total funding per annum is £10m in 2023-24 and £-31.4m in 2024-25.

Business Finance Funds BEL

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

Business Finance Funds – Repayment BEL

- No budget allocated for 2023-24.

Economic Infrastructure Development Action

- There has been no change from the indicative final budget 2023-24. The total funding has been maintained at £9.71m per annum.

Property Infrastructure BEL

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

Property Infrastructure – Repayment BEL

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

Employability Including Young Persons Guarantee Action

- There has been no change from the indicative final budget 2023-24 budget. The annual capital investment of £2m supports the Careers Wales activity for IT and estates strategy to align to [Future Wales: The National Plan 2040](#). Strategic environmental development and sustainability will be built into the new spatial strategy with a focus on the national and regional growth areas through adopting the 'Town centre first' approach.

Innovation Action

- We have maintained investment within this Action compared to the indicative final budget 23-24. The total funding is £5m in 2023-24 and £10m in 2024-25.

Business Innovation BEL

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

- Developing a cross-Welsh Government innovation strategy for growth and skill development in the established research and innovation base.

Science Action

- There has been no change from the indicative final budget 2023-24 to this Action. Funding has been maintained at £5m per annum.

Science BEL

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

Promote and Protect Wales' Place in the World Action

- There has been no change from the indicative final budget 2023-24. We have maintained our investment in this Action with the total funding per annum at £5m.

Tourism BEL

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

Annex C – Employability Programme Details

ReAct+: part of YPG

- ReAct+ is a grant funded programme which has a budget of £13.25m in 2023-24. The ReAct programme ended on 31 May 2022. The new ReAct+ adult employability programme launched on 6 June 2022. It offers individualised support to unemployed adults 18+; there is no upper age limit. Support is available for participants who are affected by redundancy, or short term unemployed, or 16-24 year olds and NEET. It also supports ex-offenders serving their sentences in the community.
- The programme delivers vocational training, employer recruitment support, employer training support as well as support for childcare, personal development support and costs such as travel. The Welsh Government does not contract with any training providers and participants identify the most appropriate training provider.

Jobs Growth Wales+ (JGW+): part of YPG

- Jobs Growth Wales+ launched in April 2022 and is a fundamental part of the new Young Persons Guarantee. JGW+ provides a holistic, tailored package of support for young people who are, or who are at risk of becoming, NEET. In 2023-24 it is expected that £31m will be allocated to providers as detailed below to deliver the programme. The programme focuses on 16-18 year olds who are not yet job ready, helping them to reach that stage, as well as young people who need extra support to help them overcome barriers to employment and training, including mental health and wellbeing.
- JGW+ is contracted by tender; the contracts have been issued to the following Contractors under a Framework agreement within each Regional Lot:

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

Community Employability Programmes: part of YPG

- In 2023-24 the Communities for Work Plus (CfW+) available budget is £23.034m, with a further provision of £8m in the Young Persons Guarantee which will be transferred in future budgets.
- To the end of October 2022, Communities for Work, PACE and Communities for Work + the three programmes have provided intensive community based mentoring and training to a combined total of over 81,000 individuals with complex barriers to employment, of which almost 36,000 have entered employment of more than 16 hours a week.
- A key feature to the success of the CfW+ programme, delivered through all 22 Local Authorities, has been its flexibility to respond to changes in the labour market. The programme supports those most disadvantaged in the labour market, including young people, older workers women, disabled individuals and those with long-term health conditions, Black, Asian or minority ethnic individuals, those with care responsibilities and those with low skills.
- The programme includes holistic support to tackle barriers to employment, community-based mentoring, sourcing and funding of training opportunities and local engagement which helps to link participants to gaps in the labour market.
- Since 2022-23, it has increased its focus on young people aged 16 to 24 year olds who are NEET and has received an additional £8m per annum from 2022-23 to 2024-25 to support delivery of the Young Person's Guarantee. It also now offers a mentoring service to eligible individuals supported through ReAct+.

Flexible Skills Programme (FSP)

- FSP is a grant funded programme which has a budget of £1.5 million in 2023-2024. The Programme can support, via a 50% contribution, eligible internal and external training delivery costs and training materials aimed at all private and third sector employers in Wales, with £500k of the budget allocated to Airbus in 2023-24.
- The Programme consists of two distinct strands:
 - **FSP Business Development Programme** The FSP Business Development Programme is positioned to support significant employer-led business development projects, which are expected to result in business expansion and major investment leading to high quality job creation.
 - **FSP Partnership Projects** are designed to help drive Wales' wider skills economy, focusing on priority skills needs identified by Welsh employers and industry representative bodies. The PP strand currently consists of 5 separate projects: Advanced Digital; Advanced Engineering and Manufacturing; Creative; Export; Tourism and Hospitality.

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

Wales Union Learning Fund (WULF)

- [Wales Union Learning Fund \(WULF\)](#) is a grant funded programme which has a projected budget of £5.4m over the three years of the current programme (2022-25) which is based on the individual bids received from the delivery unions.

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Agenda Item 5

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Agenda Item 6

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Agenda Item 12

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