

# Agenda – Economy, Trade, and Rural Affairs Committee

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Meeting Venue:

Committee room 5 – Tŷ Hywel  
and video conference via Zoom

Meeting date: 26 June 2024

Meeting time: 09.30

For further information contact:

**Robert Donovan**

Committee Clerk

0300 200 6565

[SeneddEconomy@senedd.wales](mailto:SeneddEconomy@senedd.wales)

## Hybrid

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### Private pre-meeting

(09.15–09.30)

### Public meeting

(09.30)

#### 1 Introductions, apologies, substitutions, and declarations of interest

(09.30)

#### 2 Papers to note

(09.30)

##### 2.1 Development Bank of Wales inquiry

(Pages 1 – 23)

Attached Documents:

Letter from the Cabinet Secretary for Economy, Energy and Welsh Language –  
6 June 2024

Letter from the Chair to the CEO, Development Bank of Wales – 12 June 2024



## **2.2 Bovine TB**

(Pages 24 – 31)

Attached Documents:

Letter from the Cabinet Secretary for Climate Change and Rural Affairs – 11 June 2024

## **2.3 General Ministerial Scrutiny session – 13 June 2024: Follow up**

(Page 32)

Attached Documents:

Letter from the Chair to the Cabinet Secretary for Climate Change and Rural Affairs – 18 June 2024

## **2.4 Hybu Cig Cymru**

(Page 33)

Attached Documents:

Letter from Llyr Gruffydd MS to the Cabinet Secretary for Climate Change and Rural Affairs – 18 June 2024

## **2.5 Future of Welsh Steel**

(Pages 34 – 36)

Attached Documents:

Response letter from the CEO, CELSA Steel UK – 20 June 2024

### **3 General Ministerial scrutiny – Cabinet Secretary for Economy, Energy and Welsh Language**

(09.30–10.15)

(Pages 37 – 63)

Jeremy Miles MS, Cabinet Secretary for Economy, Energy and Welsh Language, Welsh Government

Aine Gawthorpe, Deputy Director, Industrial Transformation and Foundational Economy, Welsh Government

Helen John, Deputy Director, Projects – Border Controls and Statutory Registration and Licensing Scheme, Welsh Government

Neil Surman, Deputy Director – Skills, Welsh Government

Attached Documents:

Evidence paper – Welsh Government

Research brief

### **Break**

(10.15–10.20)

**4 Green economy inquiry: Panel 9 – Cabinet Secretary for Economy, Energy and Welsh Language**

(10.20–11.05)

(Pages 64 – 91)

Jeremy Miles MS, Cabinet Secretary for Economy, Energy and Welsh Language, Welsh Government

Aine Gawthorpe, Deputy Director, Industrial Transformation and Foundational Economy, Welsh Government

Rhodri Asby, Deputy Director, Resource Efficiency and Circular Economy, Welsh Government

Neil Surman, Deputy Director – Skills, Welsh Government

Attached Documents:

Research brief

Summary of written evidence

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

(11.05)

**Private meeting**

(11.05–11.30)

**6 Consideration of evidence following the meeting**

(11.05–11.15)

**7 Forward Work Programme discussion**

(11.15–11.30)

Jeremy Miles AS/MS  
Ysgrifennydd y Cabinet dros yr Economi, Ynni a'r Gymraeg  
Cabinet Secretary for Economy, Energy and Welsh Language



Eich cyf/Your ref  
Ein cyf/Our ref

Llywodraeth Cymru  
Welsh Government

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

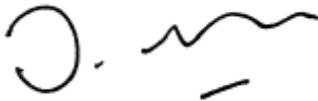
6 June 2024

Dear Paul,

Thank you for your letter of 8 May.

I attach a copy of the Development Bank of Wales Plc Framework Document. This document sets out the terms of the agreement between the Development Bank and the Welsh Government to support a constructive and clear relationship.

Yours sincerely,



**Jeremy Miles AS/MS**  
Ysgrifennydd y Cabinet dros yr Economi, Ynni a'r Gymraeg  
Cabinet Secretary for Economy, Energy and Welsh Language

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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.



Llywodraeth Cymru  
Welsh Government



# DEVELOPMENT BANK OF WALES PLC FRAMEWORK DOCUMENT

Effective from February 2021

## Summary

<b>Summary</b>	Development Bank of Wales Framework Document
<b>Version</b>	DBW v 1.11
<b>Date</b>	February 2021
<b>Location</b>	Welsh Government i-Share

## Revision History

Version	Date	Comment	By	Approved
1.1				
1.2	Oct '17	DBW Feedback incorporated	DBW	
1.3	13/12/17	Taking account of comments from Welsh Government Legal & Compliance Department	WG DBW Partnership Team	Rhidian Morgan
1.4	08/03/18	DBW Feedback incorporated	WG DBW Partnership Team	Rhidian Morgan
1.5	31/07/18	DBW Feedback incorporated, Corporate Governance tracked changes.	WG DBW Partnership Team	Rhidian Morgan
1.6	11/09/18	Governance and DBW comments incorporated	WG DBW Partnership Team	Rhidian Morgan
1.7	15/10/18	DBW Board comments incorporated	WG DBW Partnership Team	Rhidian Morgan
1.8	07/01/19	Document updated to reflect Ministerial changes – Cab Sec to Ministers	WG DBW Partnership Team	Rhidian Morgan
1.9	01/06/20	Document updated to reflect changes to Ministerial title, Partnership Team Responsibilities and meeting schedule. Changes made in consultation with DBW.	WG DBW Partnership Team	Jo Banks
1.10	10/11/20	Document updated – provision of summary for Annex 5 – Remuneration Protocol	DBW/WG DBW Partnership Team	Jo Banks
1.11		Document update – revisions to clarify DBW autonomy of decision-making.	DBW WG/Partnership Team	Jo Banks

## Governance Control

<b>Originator</b>	Jo Banks
<b>Compliance Review</b>	CGU
<b>Senior Responsible Officer</b>	Sioned Evans
<b>Welsh Government (Board Observer)</b>	Duncan Hamer
<b>Legal Review</b>	Stephanie Evans
<b>DBW Governance</b>	Judi Oates

# **The Welsh Ministers, Acting Through the Welsh Government**

## **And Development Bank of Wales PLC Framework Document**

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## **5 General Management**

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- 5.5 Correspondence from Members of the Senedd / Senedd Cymru
- 5.8 Reward and Remuneration protocol / Pay and Conditions of Service
- 5.11 Business Planning Framework
- 5.15 Welsh Minister's Funds
- 5.19 Fees
- 5.20 Branding
- 5.21 Communications
- 5.22 Complaints

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- Annex 2 DBW Corporate Structure
- Annex 3 Letter from the Financial Conduct Authority
- Annex 4 Schedule of Delegated Authorities
- Annex 5 Pay and Remuneration Protocol

## 1. Interpretation

- 1.1 Any reference in this document to:
- 1.2 '**DBW PLC**' is to Development Bank of Wales PLC, Unit J, Yale Business Village, Ellice Way, Wrexham, LL13 7YL. Company number 04055414;
- 1.3 '**DBW Group**' is to DBW Plc and its subsidiary companies;
- 1.4 **DBW Subsidiaries** provide three strands of activity: (A) the Fund Management arm via DBW Managers Limited; (B) the Fund Holding arm via DBW Holdings Limited and (C) a service arm via DBW Services Limited. Each of which may have subsidiaries of their own.
- 1.5 **The Welsh Ministers<sup>1</sup>**: is the main decision making body of the Welsh Government. They are appointed by the First Minister of Wales and together with a Counsel General serve as the Cabinet. Welsh Ministers are accountable to the Senedd Cymru which is the legislative body in Wales.
- 1.6 **Minister for Economy, Transport and North Wales ("Minister")**: is the Minister to whom the First Minister of Wales has allocated primary responsibility for oversight of DBW PLC.
- 1.7 **Welsh Government**: is the Civil Service and non-political administration which supports the Welsh Ministers and is led by the Permanent Secretary. The Welsh Government is accountable to the First Minister and the Welsh Ministers. It supports the Welsh Ministers in delivering the Programme for Government.
- 1.8 **Partnership Team**: is part of the Minister for Economy, Transport and North Wales portfolio, and acts as the partnership team for the DBW PLC.

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<sup>1</sup> the powers and functions under which DBW operate originated from the Welsh Development Agency Act 1975 are exercisable by the Welsh Ministers in accordance with paragraph 30, schedule 11 of the Government of Wales Act 2006

## **2 Introduction**

### The Framework Document

- 2.1 This Framework Document has been drawn up by the Partnership Team on behalf of Welsh Ministers, in consultation with the DBW. This Framework Document sets out the terms of an agreement between DBW plc and the Welsh Government to support constructive and clear relations between them. It does not create legal obligations on either party and legislative provisions take precedence over any part of this document. It should be read in conjunction with other key documents such as the Memorandum of Association and Articles of Association, which are signposted within the text. Copies of this Framework Document, together with any subsequent amendments, will be placed in the Library of the Senedd Cymru.
- 2.2 This Framework Document shall be reviewed from time to time by the Welsh Government and DBW jointly, but at no more than five yearly intervals. Nothing in this arrangement is intended to fetter the Welsh Governments discretion to exercise the functions vested in the Welsh Ministers regarding the DBW plc, which shall always be exercised reasonably and with appropriate consultation with the Board of Directors of DBW plc. This Framework Document has been signed and dated by the Welsh Government Additional Accounting Officer, Director General ESNR and by the Chief Executive Officer of DBW.

### Background to DBW

- 2.3 DBW plc was originally established as part of a policy desire to move away from direct grant assistance by developing an alternative model of economic development intervention known as Financial Engineering Instruments (FEIs). The purpose of FEIs is to enable public sector capital to be used on a commercial basis (through holding funds, venture capital and loan funds) and to stimulate the participation of private sector capital in order to increase the scale, effectiveness and efficiency of policy measures. They have three important attributes namely: they increase the sustainability of public investment, they have a leverage effect and they enable policymakers to make use of private sector skills and expertise.
- 2.4 The corporate structure of DBW plc and its subsidiary companies was designed to meet the requirements of the European Structural Funds and associated State aid requirements which enables the funding committed to the respective FEI to transfer from the entrusted entity to the delivery vehicle on a no aid basis.
- 2.5 The principal purpose of the DBW plc was to act as a development fund for small to medium enterprises and to further the economic and social development of Wales, as set out in its Memorandum of Association. Through the respective strands of its activities DBW plc seeks to extend access to finance for businesses in Wales by acting as a gap funder and co-investor. It will predominantly invest at commercial market rates for loans and equity under the Market Economy Operator Principle ("MEOP") and provide fund

management and other financial services at commercial rates and so will not displace the private sector.

- 2.6 **DBW plc** is the “entrusted” entity through which WG place funds to be invested and recollected. DBW plc on lends this funding to subsidiaries within the Fund Holding arm and they in turn invest funds in SME businesses. DBW plc also provides back office services such as IT, HR, marketing, accommodation to the DBW subsidiaries for which it receives fees. Its costs include salary, accommodation, IT and marketing services, audit, legal and other professional service fees.
- 2.7 **DBW Holdings Limited** is an intermediate holding company which holds the investment funds entrusted to DBW plc from WG. These funds are managed by one of two subsidiaries within the arm of DBW Managers Limited. These investments are generally made under the Market Economy Operator Principle (“MEOP”) at commercial market rates unless, by exception, a fund has a separate European Commission State Aid Notification (or equivalent post BREXIT). Funds operating under a State Aid Notification will be kept in separate subsidiaries from funds operating under MEOP.
- 2.8 **DBW Holdings subsidiaries** receive income in the form of loan interest payments, fees and gains from equity investments and costs in the form of fund management fees, audit and legal and investment provisions. In exceptional circumstances WG may wish DBW to hold grant funds under service contracts with WG (with WG making the decision on the grant approval). These grant funds will be held in separate subsidiaries from the MEOP funds. DBW does not have the powers to award grants.
- 2.9 **DBW Managers Limited** is an intermediate holding company which holds investments in its subsidiaries. DBW Managers Limited’s subsidiaries includes DBW FM Limited which provides fund management services to DBW Holdings’ subsidiaries in accordance with the intragroup exemption provided by the Financial Services & Markets Act (Regulated Activities Order) 2001. FW Capital Limited is authorised and regulated by the Financial Conduct Authority and it provides fund management services to Limited Partnerships with external investors. DBW Managers Limited sanction investments based on a framework of delegated authorities including an Investment Committee for larger investments. There will be no WG Officials amongst the members of the Investment Committee. DBW FM Ltd and FW Capital Ltd receive fees for the services they provide to the various funds they manage and costs in the form of salary, audit, legal, due diligence and services recharges from DBW plc. The fees or costs borne by the various general/carried interest partner subsidiaries are paid by the respective Limited Partnerships as part of the Limited Partnership Agreements.
- 2.10 **DBW Services Limited** is an intermediate holding company for subsidiaries that provide non-financial services for the Welsh Government such as an angel investment facilitation programme (Angels Invest Wales Limited) and an economic intelligence service (Economic Intelligence Wales Limited). These services are funded by the DBW Managers Limited arm.

## DBW plc

- 2.11 **DBW is a Public Limited Company** whose share capital is £50,000 divided into shares of £1.00 each with 49,999 of these shares held by Welsh Ministers and one share held by the Chief Executive Officer of DBW.
- 2.12 The Minister for Business, Enterprise, Technology and Science approved the widening of the Finance Wales plc remit to include the power to invest in non-SME companies on 29<sup>th</sup> August 2012.
- 2.13 On 18<sup>th</sup> July 2017, the Welsh Government approved the business case for the transformation of Finance Wales into the Development Bank of Wales. Finance Wales plc changed its name to Development Bank of Wales plc with effect from 6<sup>th</sup> October 2017 to reflect the commensurate change in its emphasis and role. Related structural changes to the PLC, and the re-naming of some subsidiaries within the PLC, took effect on the same date. The diagram in **Annex 2** shows the corporate structure of the PLC. **Annex 3** contains the Financial Conduct Authority approval letter and conditions around DBW's use of the term 'bank'.

## Legal construct:

- 2.14 The Welsh Ministers and DBW recognise DBW is an 'entrusted entity' of the Welsh Ministers, for the purposes of the European Commission's Guidelines on State Aid to Promote Risk Finance Investments (2014/C 19/04). Accordingly, this Framework Document requires the Welsh Ministers and DBW to:
- a) Ensure a clear distinction and clear delineation between the 'entrusted entity' activities of DBW and of DBW Services Ltd and its subsidiaries on the one hand, and the financial intermediary and fund management activities carried out by DBW Holdings Ltd, DBW Managers Ltd and their respective subsidiaries on the other; and
  - b) Ensure any agreements between them accurately reflect the different roles carried out by different entities within the DBW Group.

The DBW Group has been structured in a way which ensures this delineation of activities. A corporate structure chart for the PLC can be found at **Annex 2**.

- 2.15 In terms of its relationship with Welsh Government some of the DBW PLC's activities will be covered under the "Teckal" principles incorporated into the Public Contracts Regulations 2015. DBW shall ensure the PLC complies with these Regulations to the extent applicable to it.
- 2.16 DBW will fund its operational requirements from the net revenue derived from the DBW PLC's fund holding and fund management activities as operated on a commercial basis in the market. DBW will not receive Grant in Aid or any direct revenue support from the Welsh Government to fund its operations.

## **3 Responsibilities, Roles and Duties**

## Powers and Duties of DBW PLC

- 3.1 DBW operates pursuant to the powers and functions provided by section 1(3) (b) and (d) and 1(7) (a), (b) and (d) of the Welsh Development Agency Act 1975 (as amended). These powers and functions were transferred to the Senedd Cymru under the Welsh Development Agency (Transfer of Functions to the Senedd Cymru and Abolition) Order 2005, with effect from 1<sup>st</sup> April 2006, and subsequently transferred to the Welsh Ministers by paragraph 30 of Schedule 11 of The Government of Wales Act 2006 ('GOWA'); such transfer being effected at the end of the 'initial period' as defined by GOWA, namely 26<sup>th</sup> May 2007.
- 3.2 DBW will operate in accordance with the Companies Act 2006, and all other statutory and regulatory requirements applicable to the activities it and the DBW PLC undertakes.
- 3.3 The DBW will comply with the standards, guidelines and governance principles applicable to public service organisations funded by the Welsh Government and notified to the DBW by the Welsh Government – including Managing Welsh Public Money and the Nolan Principles and the Well-being of Future Generations (Wales) Act (2015).
- 3.4 DBW will prepare and publish a Charter setting out the standards of behaviour and values its Board and staff are expected to adhere to when dealing with customers, their agents and other persons; and the standards of behaviour and values it expects such persons themselves to adhere to when dealing with the DBW. DBW will consult on the Charter and review and revise it as and when it considers appropriate.

## DBW Board

- 3.5 **The DBW Board** will shape a strategic plan / corporate plan which identifies how the operations of the DBW Group will contribute toward the policy aims and goals as set out in the Programme of Government and as reflected in the Remit Letter issued by the Welsh Government (5 yearly basis).
- 3.6 **The directors of DBW** are appointed in accordance with the Companies Act 2006 and the Articles of Association of DBW.
- 3.7 In addition to the powers and duties of directors set out in the Companies Act 2006, the Articles of Association, the UK Corporate Governance Code and the Guidelines for Board Members, the role of the DBW Board is to:
  - provide effective leadership; defining and developing strategic direction and setting challenging objectives;
  - obtain assurance that all legal responsibilities are complied with and account is taken of Welsh Minister's remit;

- monitor performance to ensure the DBW PLC meets its aims, objectives and performance targets and ensure that the Minister and Partnership Team are kept fully informed of any changes that are likely to impact on the strategic direction of the DBW PLC or on the attainability of its targets, and of steps needed to deal with such changes;
- promote high standards of public finance and risk management and uphold the principles of regularity, propriety and value for money and the Nolan Principles and support the Chief Executive, as Accounting Officer, in ensuring the same throughout the DBW;
- Through the work of the DBW Nominations Committee, make senior executive and non-executive appointments to the DBW Board, including the Chair and Chief Executive Officer. DBW will inform the Director General of the Partnership Team's Division before appointing the Chair, the Chief Executive Officer and all other senior executive and non-executive appointments;
- ensure the PLC considers equality of opportunity when approving policies and making decisions.

3.8 The personal responsibility of the Chief Executive Officer as DBW PLC Accounting Officer in no way detracts from the duties of the DBW Board who have a duty to act in a way which promotes high standards of public finance, and for ensuring the DBW PLC's activities are conducted in an efficient and effective manner. However, it must ensure any instructions given to the Chief Executive Officer do not conflict with his/her duties as the DBW PLC Accounting Officer.

3.9 The DBW Board may delegate to DBW PLC staff responsibility for the administration of day-to-day management issues but it remains ultimately responsible and accountable for all those matters. DBW must maintain a list of matters which are reserved for decision by the DBW Board, as well as the framework of delegations approved by the Chief Executive Officer.

### DBW Chair

3.10 The Chair of the DBW Board:

- is accountable to the Senedd and to the Welsh Ministers for assuring high-quality corporate governance;
- is responsible for ensuring the DBW Board's policies and actions support the Ministers wider strategic policies, and its affairs are conducted with probity;
- Is responsible for ensuring the DBW Board, in reaching decisions, takes proper account of applicable statutory and financial management requirements and all relevant guidance including any relevant guidance provided by the Welsh Ministers;

- has oversight of the DBW Directors, including the performance of the Chief Executive; and,
- has the primary responsibility of leading the DBW Board in the successful performance of its functions.

3.11 Communications between the DBW Board and the Welsh Ministers shall, in the normal course of business, be conducted through the Chair. The Chair shall ensure that other Board members are kept informed of all such communications.

### Individual Directors

3.12 In undertaking their duties and responsibilities, DBW Directors shall comply at all times with both the Welsh Government's Code of Conduct for Board Members and the Guidelines for Board Members of DBW, and with all applicable rules relating to the use of public funds and conflicts of interest.

### DBW CEO

3.13 The DBW Chief Executive Officer is an executive director of the companies within the PLC and reports to the Chair of DBW.

3.14 The Chief Executive Officer is responsible as the Accounting Officer for DBW PLC ('DBW PLC Accounting Officer') as set out in 'Managing Welsh Public Money'.

### Accounting Officers / Relationship between DBW and Welsh Government Accounting Officers

3.15 The Principal Accounting Officer for the Welsh Ministers is the Permanent Secretary to the Welsh Government. The Principal Accounting Officer has responsibilities specified by HM Treasury and is accountable to The Senedd Cymru (through the Senedd Public Accounts Committee) and to the UK Parliament (through the House of Commons Committee on Public Accounts).

3.16 The Principal Accounting Officer for the Welsh Ministers is assisted in their duties by the Director General for Economy, Skills and Natural Resources Group, who they have designated as the Additional Accounting Officer ("AAO") and to whom they have delegated responsibility for the Division within which the Company's partnership team sit. An Accounting Officer Memorandum has been established between the Director General for ESNR as the designated Additional Accounting Officer for the Group and the DBW Chief Executive, ("Accounting Officer or AO") that sets out the responsibilities of the Chief Executive Officer of the DBW as its AO.

3.17 As DBW PLC Accounting Officer, the Chief Executive Officer is personally responsible for the proper stewardship of the public funds for which he or she has charge; for the day-to-day operations and management of the DBW PLC; and for ensuring compliance with the requirements of 'Managing Welsh Public Money'.

- 3.18 The Chief Executive Officer may be assisted in the exercise of his or her role by employees of the DBW PLC. The Chief Executive Officer may also delegate the day-to-day administration of these responsibilities to those employees but remains responsible and accountable under the terms of his/her Accounting Officer Memorandum
- 3.19 The Additional Accounting Officer for ESNR is responsible for making arrangements to satisfy himself or herself that the DBW has systems adequate to operate effectively, to a high standard of probity and to meet the standards set out in MWPM. The Accounting Officer of DBW and the Additional Accounting Officer for ESNR should meet biannually to discuss these arrangements.

### Welsh Ministers

- 3.20 Welsh Ministers have the right to appoint, and maintain in office, Welsh Government officials as shareholder representative(s) in an observer capacity to attend Board and Board Committee meetings of DBW.
- 3.21 The Welsh Government Observer will play no part in the decision-making process of any Board or Board Committees. A formal observer agreement detailing the role of the Welsh Government Observer has been created and signed by DBW and Welsh Government in accordance with Welsh Government guidance.
- 3.22 Welsh Ministers and Welsh Government officials shall take no part in day-to-day operational matters, commercial matters, or decision-making throughout the DBW Group. Specifically, no interference from WG on investment operations, as follows:
- a. Staffing and role allocation
  - b. Fund selection
  - c. Deal selection
  - d. Deal structure (e.g. loan or equity or mix)
  - e. Quantum invested
  - f. Timeframe of investment
  - g. Investment Pricing (DBW must operate funds under MEOP. Exceptionally, where DBW Group operates a fund under a separate State Aid approval (or equivalent post BREXIT), investments from these funds will be priced according to the State Aid approval and held in separate subsidiaries to funds investing under MEOP)
  - h. Sanction
  - i. Selling (exiting equity investments or loans)
  - j. Portfolio management and recovery of funds
  - k. Write offs under £3m (notifying WG if above value).
  - l. New fund bids (FW Capital)
  - m. Fund Management Contract pricing – these must be done at commercial market rates under MEOP.

n. Originating and negotiating fund proposals.

- 3.23 The Welsh Ministers acknowledge certain activities of the DBW PLC may be subject to the Financial Conduct Authority Rules (the “FCA Rules”) and/or other applicable laws or regulations, including the Companies Act 2006, and acknowledge if there is any conflict between this Framework Document and any of the FCA Rules or other applicable laws or regulations, any relevant FCA Rules and/or other applicable laws or regulations shall prevail.
- 3.24 The Welsh Government may, from time to time, carry out a review (or policy review) of the DBW PLC as they consider appropriate. Before commencing any such review, Welsh Government will consult the DBW Board on its terms of reference.
- 3.25 The First Minister has allocated primary responsibility for the oversight of DBW to the Minister for Economy, Transport and North Wales (“**Minister**”). The Minister generally exercises the functions of the Welsh Ministers in relation to the DBW PLC. The Minister sets the policy framework for the DBW PLC and is accountable to the Senedd Cymru for its activities.
- 3.26 Certain areas of the DBW PLC’s activities fall within the areas of responsibilities held by other Ministers, and they will engage accordingly with respect to their portfolios and policy objectives. These Ministers will set the policy framework for relevant aspects of the DBW PLC’s work and will be accountable to the Senedd Cymru for these activities of the DBW PLC.
- 3.27 The Welsh Ministers monitoring of the DBW PLC shall be strategic in nature and be carried out principally by means of:
- Senedd Committees role (see also Memorandum between AOs)
  - WG observer at DBW board and Audit and Risk Committee
  - Biannual meetings between Minister with portfolio responsibility for DBW and the Chair and CEO
  - Quarterly fund performance reports (as per normal commercial practice)
  - Ad hoc meetings on new fund development

#### Welsh Government’s DBW Partnership Team

- 3.28 The DBW Partnership Team within ESNR are the primary Welsh Government contact for the DBW (“the DBW partner team”). The partnership relationship will be strategic in nature and aspires to be mutually supportive and challenging.
- 3.29 The role of the Partnership Team includes providing a policy framework, which is driven by the prevailing Programme for Government. The DBW partner team will coordinate Welsh Government advice to the Minister on the discharge of their responsibilities in respect of the Corporate Plan and fund performance.
- 3.30 Officials of the DBW partner team will liaise with DBW officials regarding forward corporate planning, financial performance, and performance against

other agreed measures. The partner team will play a key role to enable the Additional Accounting Officer to discharge his or her responsibilities to ensure there is an appropriate system of control in operation in DBW. The partnership team will present their views to the Additional Accounting Officer at least once a year.

- 3.31 To enable the DBW partner team to fulfil its role, the DBW will:
- operate management, information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the measures set out in the corporate and operational plans;
  - notify the DBW partner team of any changes that make achievement of objectives more or less difficult;
  - provide quarterly reports which set out the progress towards meeting fund performance targets and outcomes;
  - agree with the Partnership Team an annual Planning and Reporting schedule for the year.
  - It is noted that the reporting requirements for specific funds are set out in individual Funding Award Letters.

## **4 Financial Management and Resources**

### DBW Group Annual Report and Financial Statements

- 4.1 The statutory accounting and reporting requirements for DBW Plc and its subsidiaries are set out in the Companies Act 2006 ("CA06").
- 4.2 DBW plc shall produce an annual report and consolidated financial statements under International Financial Reporting Standards ("IFRS") for consolidation into the Welsh Government consolidated financial statements. DBW will work with WG to make sure that any additional disclosures required by the UK Government's Financial Reporting Manual ("FReM") are made in the annual report.
- 4.3 All annual reports and financial statements relating to all companies within the DBW Group be externally audited (see audit section).
- 4.4 DBW plc will produce its audited group financial statements in line with WG's reporting deadlines, which is normally 30<sup>th</sup> June, unless agreed otherwise. The audit opinion will be via a note from the external auditor as the final opinion will not be available until the annual report and financial statements are finished.
- 4.5 The DBW plc annual report and financial statements (including the full auditors' report) will normally be published 2 to 3 months after 30<sup>th</sup> June, within the reporting timeframe allowed by the CA06.
- 4.6 DBW plc will prepare audited financial statements for each subsidiary and limited partnership under the appropriate accounting standards (Financial Reporting Standard 101 or 102). These financial statements will be produced to the deadlines set out in CA06.

## Audit and Risk Committee

- 4.7 In accordance with the UK Corporate Governance Code, DBW plc will operate an Audit and Risk Committee (“ARC”). The ARC has primary responsibility for ensuring:
- the integrity of DBW plc ’s annual report and financial statements;
  - the effectiveness of risk management and internal controls;
  - the effectiveness of the internal and external audit processes; and
  - the DBW Group’s probity and whistle-blowing policies.
- 4.8 The ARC will provide an annual report to the ESNR Audit Risk and Assurance Committee on its work and confirms the adequacy of the audit arrangements and assurance given by the CEO in respect of governance, risk management and control arrangements.
- 4.9 The ARC reports to the Board on its activities and makes recommendations to the DBW plc Board.

## External Audit

- 4.10 DBW Group will procure its own appropriately experienced external auditors under the OJEU (or equivalent post BREXIT). DBW Group will rotate its external auditors in accordance with best practise outlined in the UK Corporate Governance Code.
- 4.11 DBW Group will ensure that any non-audit services provided by the external auditor are appropriate and fees above a defined limit will require prior approval by the DBW Group’s Audit and Risk Committee.
- 4.12 DBW plc shall provide to the Auditor General for Wales, as the Welsh Government’s external auditor, such assistance, information or explanations as he or she reasonably requests in the discharge of his/her responsibilities.

## Internal Audit

- 4.13 DBW plc will procure its own appropriately experienced internal auditors under the OJEU (or equivalent post BREXIT). The internal auditors will generally work to a three year internal audit work plan to enable them to issue an opinion as to the adequacy of DBW Group’s governance, risk management and control arrangements. This opinion will be included the DB Group’s annual report.
- 4.14 DBW Group will rotate its internal auditors in accordance with best practise outlined in the UK Corporate Governance Code.
- 4.15 DBW’s internal auditors will perform their audit methodology in alignment with the Public Sector Internal Audit Standards (“PSIAS”).

- 4.16 The three year and annual internal audit work plan will be agreed in advance with the DBW Group Audit and Risk Committee.
- 4.17 All internal audit reports will be shared with the DBW Group Audit and Risk Committee for consideration.

#### Delegations

- 4.18 DBW will operate in line with delegations featured in **Annex 4**.

#### Operating Funds

- 4.19 Funding agreements for each fund will identify the types of product that can be used in association with each fund.
- 4.20 DBW will operate within the confines of award of finance and associated documentation.

#### Borrowings

- 4.21 In light of the borrowing restrictions on Welsh Ministers, DBW Group shall not borrow externally money without the prior written consent of the Minister. Where there is borrowing from a third party funder, DBW is responsible for the day to day management of the DBW Group's relationship with that funder.

#### Guarantees and Indemnities

- 4.22 DBW will ensure no member of the DBW Group shall, give any guarantee or indemnity, provide any letter of comfort or deliberately incur any other contingent liability, in each case for the benefit of a third party (i.e. someone other than DBW or a member of the DBW Group) outside of funding agreements with Welsh Ministers.

## **5 General Management**

#### Freedom of information

- 5.1 DBW will adopt the Model Publication Scheme 2012 (or as revised) produced by the Welsh Information Commissioner.

#### DBW and Senedd Cymru

- 5.2 The DBW through its Accounting Officer (AO) is accountable to the Senedd for the efficient use of public resources. The Senedd Public Accounts Committee (or possibly the House of Commons Committee of Public Accounts) may invite the AO as a witness to give evidence on external audit reports, DBW annual reports and accounts at a Committee Hearing. The Chair, the AO or, where appropriate, members of DBW's staff will give written or oral evidence to Committees of the Senedd when invited to do so. The Senedd has the power to require any member of the Board or staff of DBW to attend a Senedd Cymru committee meeting.

## Plenary Questions

- 5.3 The Welsh Ministers are not accountable through Plenary Questions for the operations of DBW; where a Plenary Question relates to operational matters, the Ministerial reply will indicate this is the case and arrange for the Question to be passed to the DBW. Plenary questions to the Welsh Ministers may, however, seek information about matters for which the Welsh Ministers have a specific power or duty.
- 5.4 The Welsh Ministers may also answer Plenary Questions where information is sought about matters for which the Welsh Government has a general policy responsibility, which the Welsh Ministers cannot answer fully without assistance from DBW. In particular, Plenary Questions may seek statistical information from the Welsh Ministers about the nature and value of investments undertaken by DBW or what is happening in the financial market or specific challenges that face SMEs in Wales. In these circumstances, the Welsh Ministers may seek information from DBW to enable them to respond to such questions.

## Correspondence from Members of the Senedd / Senedd Cymru

- 5.5 Where a Senedd Member (MS) seeks information from DBW on matters for which it is responsible - whether directly or in a Plenary Question passed to the Chief Executive by the Welsh Ministers - the Chief Executive or a senior officer acting on their behalf will reply in the agreed timescales (17 working days).
- 5.6 In no circumstances will DBW, in replying to correspondence from MS, provide access to confidential information unless the relevant parties have provided explicit written consent to provision of that access.
- 5.7 Similar arrangements will apply to the handling of any questions from members of the UK Parliament.

## Reward and Remuneration protocol / Pay and Conditions of Service

- 5.8 A Reward and Remuneration protocol shall be maintained between the Minister and DBW and renewed every 3 years. A summary of the Reward and Remuneration Protocol is included at **Annex 5**.
- 5.9 The pay protocol is a set of principle rather than a statement of actual payments or pay rates in recognition that parent body is public sector.
- 5.10 The Reward and Remuneration Protocol shall lay out the parameters within which DBW will set the remuneration, pensions and other benefits it proposes to pay/provide to DBW Group staff over the following 3 year period. The Reward and Remuneration Protocol must be fully-costed, and be shown to be affordable both during the period to which it relates and in future years.

## Business Planning Framework

- 5.11 As the majority of targets are set through the funding arrangements for each fund or service DBW will receive a Remit letter at minimum every 5 years which will

set out the broad policy objectives of the Government in order to inform future fund/service areas. The remit letter will make distinction between DBW Plc and subsidiaries of DBW Plc where those subsidiaries operate with full autonomy of decision making. The remit letter will be set in the context of contractual agreements between WG and DBW.

- 5.12 Following publication by the Welsh Government of its Programme for Government, DBW will develop its Corporate Plan for the period covered by the prevailing Programme for Government (which is normally five years). Progress against the targets contained within the Corporate Plan will be updated annually in the Operational Plan.
- 5.13 DBW PLC will consult with WG on corporate plan on public policy points prior to its publication.
- 5.14 The Operational Plan is a DBW document with the primary purpose of setting out the combined objectives and targets for the organisation for the coming year. It brings together the funds and services targets, as set out in the funding and service contracts, for the coming year adjusted for performance to date and market demand. This, alongside other corporate and operational objectives as agreed by the Board, will form the basis of the performance management process for the DBW Group. The Chair and CEO will present the Operational Plan, including annual targets and organisational developments to the Additional Accounting Officer and Minister at their respective meetings. As the funds and services have been previously agreed through the funding contracts, the plan is presented for information purposes with any performance issues covered by the WG Partner Team.

#### Welsh Minister's Funds

- 5.15 Any proposal to establish a new Fund shall include details of prevailing benchmarked fund management and fund holding fees in order to ensure it can be operated in accordance with relevant State aid requirements (or subsequent requirements) where appropriate.
- 5.16 DBW will be entitled to retain any net income generated within the DBW PLC from fund management fees, fund holding fees and any other operational activities, as agreed by Welsh Government, and use it to fund DBW PLC operations. DBW is entitled to retain and carry-over any such income held as cash from time to time to ensure there is sufficient working capital within the DBW PLC to cover operations.
- 5.17 Where the DBW has funds for a specific purpose, those funds cannot be used for a different purpose without the prior written consent of the Welsh Ministers.
- 5.18 Any fund holding and fund management fees will be negotiated with the funding provider as part of the development of the fund.

#### Fees

5.19 DBW will periodically commission an independent review on the general approach to fees to ensure DBW is operating in line with the market.

Branding

5.20 DBW will work to ensure that DBW Group's relationship with the Welsh Government is recognised appropriately through the use of the Welsh Government's sponsor brand mark.

Communications

5.21 DBW will consult with Welsh Government Press Office on relevant press notices or promotional materials/activity.

Complaints

5.22 The Partnership Team and DBW will have in place a complaints handling process to respond to complaints received by WG regarding DBW and will follow appropriate escalation processes.

The terms of this Framework Document were approved by the Minister for Economy, Transport and North Wales on 12<sup>th</sup> February 2021

Signed..... Additional Accounting Officer,  
Director General Economy, Skills and Natural Resources, Welsh Government

Dated.....

Signed.....Chief Executive Officer,  
Development Bank of Wales plc

Dated.....

Giles Thorley

CEO

Development Bank of Wales

12 June 2024

Dear Giles,

### **Development Bank of Wales inquiry: further follow up**

Following our scrutiny sessions with the Bank and the Cabinet Secretary on 24 April, the Committee wrote to the Cabinet Secretary to ask, in the interests of transparency and to assist our inquiry, to receive a copy of the framework document he referred to in the meeting, which governs the relationship between the Bank and the Welsh Government, and provides the foundation for it. The letter was published as a paper to note at our 22 May meeting.

The Cabinet Secretary has now responded and provided a copy of the framework document, which we will publish in due course.

When you gave evidence to the Welsh Affairs Committee (WAC) on 28 February, the Committee Chair asked Bank representatives about the relationship between the Bank and Welsh Government, and investment decision-making, specifically in that case relating to the defence industry. In response the Bank's Investment Director, Hansard states:

*"Rhian Elston: The guidance that is in our document is: are there any reputational issues that we need to consider or are there any ESG considerations that we need to bring into mind? So there isn't a blanket thing that we cannot support the defence sector, and we have supported business in that area. It is about us making an assessment when the deal comes in: what do they do? Are there any concerns?"*

*We will sometimes refer that to the Welsh Government, [our italics] but we have examples where we have supported the supply chain there, because my view is it is still an important sector within Wales. There are a number of companies that do very well and employ a lot of people as the result of being within that supply chain, so it is not a no."*

Having had sight of the Framework document, we note that this does not specifically refer to how ESG (Environmental, Social and Governance) considerations and reputational risks are managed and how matters are referred to the Welsh Government, although we note that ESG considerations are referred to extensively in the Bank's Annual Report for 2022-23, including the section relating to the Bank's Risk Management framework.

It would be helpful in finalising the Committee's reporting for this inquiry to have clarification of the document that was being referred to in the WAC evidence above. Page 2 of the Framework document notes that it was amended in 2021 with "revisions to clarify DBW autonomy of decision-making". Therefore, did an earlier version of the Framework document contain that information, or indeed is there an additional document that governs how matters of ESG and reputational risk are managed as part of the relationship between the Bank and the Welsh Government?

I look forward to your early response to clarify this issue for the Committee.

Kind regards,



**Paul Davies MS**

Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English



Llywodraeth Cymru  
Welsh Government

Paul Davies MS  
Chair  
Economy, Trade and Rural Affairs Committee

[SeneddEconomy@senedd.wales](mailto:SeneddEconomy@senedd.wales)

11 June 2024

Dear Paul,

You will recall that during a committee appearance on 6<sup>th</sup> March, the former Minister for Rural Affairs committed to provide you with a response Affairs Committee meeting on 6<sup>th</sup> March 2024 to provide a Welsh Government response to the peer-reviewed paper authored by Colin Birch *et al* (2024)<sup>1</sup>. This examines the impact of removing infected wildlife on the incidences of Bovine TB in England and a copy is attached.

The study examines the period from 2009 to 2021 with the first year of badger interventions from 2013.

One conclusion cited is that the herd incidence rate of TB reduced by 56% in the four years after the introduction of a badger control policy (BCP) in England, with the largest reductions seen in the second and third years.

All 52 BCP areas are included in the study and no control areas, and there is more than one control method used - Interferon-gamma testing and removal of positive cattle, as well as badger culling. The analysis used is a method that has been infrequently used in the epidemiology and health field so far, and its application on this data represents a more novel approach.

The paper goes on to say that from 2017 compulsory Interferon-gamma testing was implemented on cattle in Officially TB Free – Withdrawn (OTFW) herd incidents in areas that had been in the BCP for at least two years (so from the third year of intervention, in all but the first two BCP areas). This was aimed at reducing the likelihood of recurrence

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<sup>1</sup> Birch, C.P.D., Bakrania, M., Prosser, A. *et al*. (2024). Difference in differences analysis evaluates the effects of the badger control policy on bovine tuberculosis in England - *Sci Rep* **14**, 4849 (2024).  
<https://doi.org/10.1038/s41598-024-54062-4>

of infection, after the end of the herd incident. The paper confirms that "*this data analysis cannot explicitly distinguish the effects of the BCP's [badger control policy] component measures*" (page 20).

The authors, however, do not mention that the removal of infected cattle in an OTFW incident that are additionally identified through gamma testing may also reduce the number of infected cattle remaining in a herd when TB restrictions are revoked and can therefore be freely traded. It is also relevant that the Birch paper acknowledges that "*reducing the risk of M.bovis transmission between cattle and badgers across large areas of England may increase the effectiveness of controls of other sources and pathways of infection for cattle*".

My officials consider that other factors, such as additional biosecurity, advice and changes in farmer behaviour may also have contributed to the differences in TB observed, but the relative impact of multiple and concurrent interventions is not determined.

The paper states that the analysis evaluates the outcome of a government policy and was not a controlled experimental trial meaning that in addition to there being no control areas, there were challenges for the analysis including adequate adjustment for non-random variation and confounding factors.

Trend lines for each BCP area before and after the start of the cull are included, with variation between areas. Some trend lines were increasing and have since started to fall, but in other areas, the trend downwards had already started prior to the BCP and does not appear to have changed since the policy started.

Given the conclusions in the paper, how does the trend in herd-level TB incidence in England compare with the trend in incidence in Wales since the BCP began in 2013?

Our policy approach in Wales, has been to consider all TB incidents as OTFW, since 1<sup>st</sup> January 2022, because experience has shown that a reactor to the skin test is highly likely to be an infected animal.

The skin test at standard interpretation (as used in all routine, annual herd tests in Wales) has a very high specificity – only one in 5,000 uninfected animals are likely to be a false positive. Furthermore, the finding of Non-Visible Lesions (NVL) at a slaughterhouse post-mortem examination is a poor indicator of an uninfected animal as TB-related lesions may be very small in size (<1cm in diameter), or not be visible to the naked eye.

Considering all incidents as OTFW provides added confidence that any herd released from restrictions is less likely to contain animals with undisclosed infection, because it

will have had at least two further herd skin tests, with at least the first being at severe interpretation (as this increases the sensitivity of the skin test, to better identify infected animals).

For this reason, we will compare below all TB incidents in Wales and England, i.e. both those with confirmed disease (a Visible Lesion at post-mortem examination, or culture confirmation of *M. bovis* and those incidents with unconfirmed disease (NVL & culture negative) generally following on from the disclosure of one or more reactors at the initial herd skin test, or as a result of a slaughterhouse case confirmed by a PCR, or culture positive result.

Furthermore, our analytical approach is to consider all types of herd TB incidents i.e. both Officially TB Free Suspended (OTFS) and OTFW that are identified by the disclosure of one or more reactors a herd skin test, or as a result of a slaughterhouse case confirmed by a PCR, or culture positive result. This is because the Officially TB-Free (OTF) herd classification criteria vary between England and Wales. Wales has historically classified more incidents as OTFW, as Wales additionally classifies some incidents as OTFW for epidemiological reasons only. England classifies fewer incidents as OTFW, thus reporting fewer OTFW cases in their statistics.

### **Comparative analysis of herd-level TB incidence in England and Wales**

If we consider the period 2012, the year before the BCP started and also a year when incidence between England and Wales was almost identical and 2021, the same end year as the paper - and consider all TB incidents (i.e. those designated as OTFS & those as OTFW combined) the following can be seen using Defra official statistics, the same source data as used in the Birch paper.

The herd incidence (New incidents per 100 herd years at risk) can be compared for England and Wales and it is also possible to compare herd incidence in the High-Risk Area (HRA) of England, where badger culling was targeted, against incidence in the High TB Area West (HTBW) in Wales, where there has been no badger culling.

Analyses of Herd Incidence (Table 1) by Welsh Government of the period January 2012 to December 2021:

- In **England**, the number of TB incidents per 100 herd years at risk started at 9.8 in 2012, rose to 11 in December 2017 and fell to 8.8 in December 2021: a 10.8% fall in incidence overall since 2012 the year before BCP interventions began.
- In **Wales**, herd incidence started at 10.0 in 2012 and fell to 7.1 in 2021: a 29.1% overall reduction in incidence over the same time period (Figure 1).

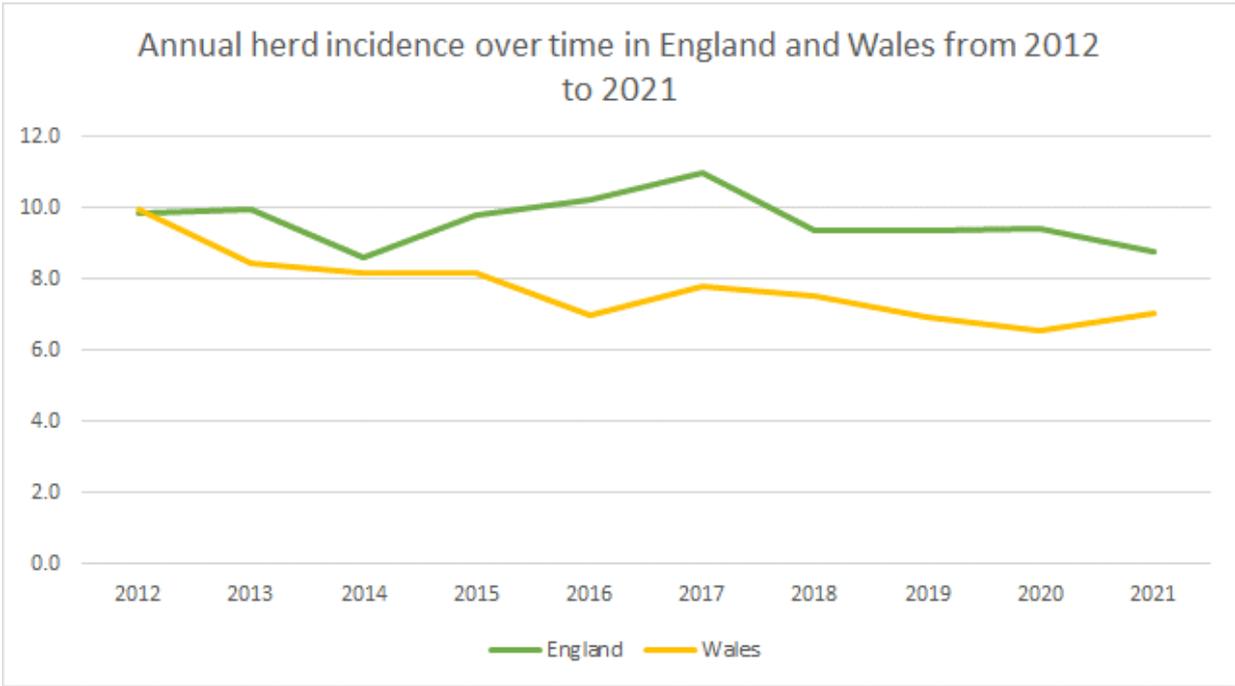
- In the **HRA** of England, herd incidence started at 18.5 in 2012, was at 19.8 in 2017 and fell to 14.4 in 2021: a 22.2% reduction during the period.
- In the **HTBW of Wales**, herd incidence was 18.1 in 2012 and fell to 11.00 in 2021: a 39.4% reduction during the period (Figure 2).

**Table 1: Comparison of Herd incidence\* in England and Wales, and the High-Risk Area of England and the High TB Area West Wales for each year from 2012 to 2021**

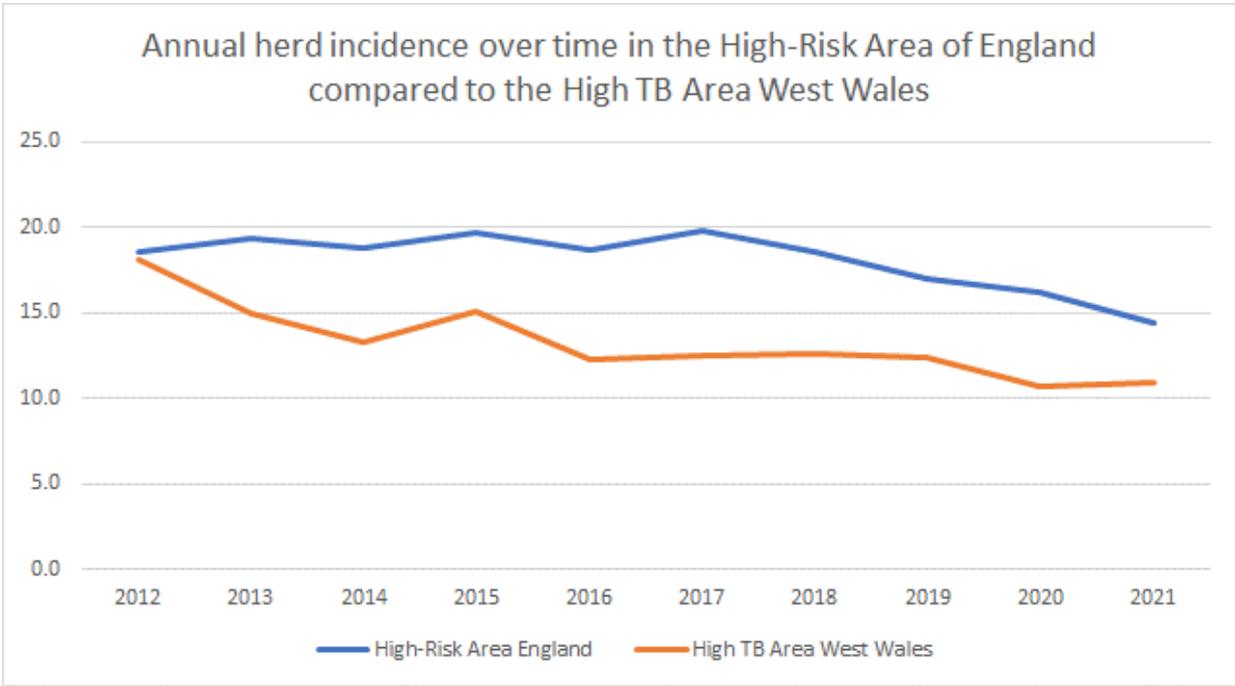
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
England	9.8	10.0	8.6	9.8	10.2	11.0	9.3	9.4	9.4	8.8
Wales	10.0	8.4	8.2	8.2	7.0	7.8	7.5	6.9	6.6	7.1
High-Risk Area England	18.5	19.4	18.8	19.7	18.7	19.8	18.5	16.9	16.1	14.4
High TB Area West Wales	18.1	14.9	13.3	15.1	12.3	12.5	12.7	12.4	10.7	11.0

\* Herd Incidence: New incidents per 100 herd years at risk. Table 1 presents the annual herd incidence of TB for different regions from 2012 to 2021. These regions include England overall, Wales, the High-Risk area in England, and the High TB Area West Wales. This TB herd incidence rate is calculated as the number of new herd incidents (breakdowns) detected during the reporting period, divided by the total time that herds under surveillance during that period were at risk of infection. [Please see the Bovine TB herd methodology notice published here for further information.](#) It is also important not to read too much into short term trends as fluctuations are to be expected in the figures.

**Figure 1: Herd incidence in England and Wales for each year from 2012 to 2021**



**Figure 2: Herd incidence in the High-Risk Area of England and the High TB Area West Wales for each year from 2012 to 2021**



The actual incidence of bovine TB in the High-Risk Area of England between 2012 and 2021 appears to have fallen less than in the High TB Area West of Wales. The reduction in incidence over the period has been achieved in Wales without badger culling.

While progress has been made in reducing TB overall in Wales, regional variations do exist, with some areas experiencing higher levels of the disease than others. I fully understand the impact TB has on the health, well-being and livelihoods of farmers and their families, underscoring the need for ongoing efforts to address this pernicious disease.

Farmers are a vital part of Welsh life, and our programme for eradicating Bovine TB is centred around partnership working with our farmers and vets. With the assistance of the Technical Advisory Group, and the TB Programme Board in due course, we aim to make further inroads into the understanding and tackling of this complex disease.

It is also relevant to note that other recent studies involving the mathematical modelling of data from Whole Genome Sequencing of *Mycobacterium bovis* (the causative organism of bovine TB) have provided new insights and evidence on the different routes of TB transmission and spread within and between cattle, and badgers<sup>2,3</sup>.

Van Tonder *et al* (2021), concluded “*that the estimated rate of transmission from badger to cow was approximately two times higher than from cattle to badger & the rate of within species transmission considerably exceeded that.*”

They also identified “*that the transmission clusters in different parts of South West England that are still evident today were established by long distance seeding events involving cattle movement, not by recrudescence from a long established cattle reservoir.*” and that “*Clusters are maintained primarily by within species transmission with less frequent spillover from badger to cattle and cattle to badger.*”

Whole Genome Sequencing is used to compare the DNA differences between the organism found in different samples and provides a way of determining genetic similarity, or difference allowing better understanding of breakdown origin. Within species transmission referred to above is cattle to cattle or badger to badger.

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<sup>2</sup> Van Tonder *et al.* (2021). Inferring *Mycobacterium bovis* transmission between cattle and badgers using isolates from the Randomised Culling Trial. Plos Pathogens.

<sup>3</sup> Crispell *et al.* (2019). Combining genomics & epidemiology to analyse bi-directional transmission of *Mycobacterium bovis* in a multihost system. *elife*, 29 Dec 2019.

Recent epidemiological analyses by the APHA Wales Epidemiology Team show evidence of both long distance and shorter distance cattle movements playing key roles in the establishment of new clusters of TB infection in North Wales, through the combined use of WGS information, cattle movement data (from CTS) and detailed, farm-level veterinary investigations.

It seems right and appropriate to focus on tackling the risk of cattle-to-cattle transmission by utilising more sensitive tests to prevent disease spreading both between and within herds, and promote robust biosecurity, informed purchasing and post-movement isolation practices to prevent introducing infection.

The Birch paper also acknowledges that there are other means of controlling TB transmission between badgers and cattle including badger vaccination, fertility control and biosecurity that may be equally as effective, as has been seen in field studies involving badger vaccination in Ireland<sup>4</sup>.

While mass culling of badgers is not allowed in Wales, our TB Eradication Programme does not ignore badgers and addresses the involvement of wildlife in several ways. The All Wales Badger Found Dead scheme, the Badger Vaccination Grant Scheme and support for research into TB including wildlife factors are all examples. Going forward we will need to consider whether the targeted vaccination of badgers in specific areas could be further utilised, and the best means to deliver this.

Officials will continue to work and engage on our TB Eradication Programme and the epidemiology of the disease in Wales, led by the science, and we will also utilise the new bovine TB Technical Advisory Group (TAG) to seek their views and expertise as we continue to move forward.

Finally, we also all know that Government cannot eradicate TB alone. Partnership working with our farmers and vets is the only way to reach our shared goal of a TB-free Wales by 2041. We recognise the critical role that farmers and veterinarians play, their expertise, commitment and collaboration are essential for implementing effective disease control measures and achieving lasting success.

I hope this analysis is useful.

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<sup>4</sup> Martin, S. W. *et al.* (2020). Is moving from targeted culling to BCG-vaccination of badgers (*Meles meles*) associated with an unacceptable increased incidence of cattle herd tuberculosis in the Republic of Ireland? A practical non-inferiority wildlife intervention study in the Republic of Ireland (2011–2017). *Prev. Vet. Med.* 179, 10. (2020) <https://doi.org/10.1016/j.prevetmed.2020.105004>

Yours sincerely,

A handwritten signature in black ink, consisting of several fluid, overlapping strokes that form a stylized representation of the name.

**Huw Irranca-Davies AS/MS**

Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion Gwledig  
Cabinet Secretary for Climate Change & Rural Affairs

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

Huw Irranca-Davies MS  
Cabinet Secretary for Climate Change and Rural Affairs

18 June 2024

Dear Cabinet Secretary

**Follow up to meeting of 13 June 2024**

Thank you for attending the general ministerial scrutiny session on 13 June. Due to time constraints there were some questions we could not cover in the session, as set out below:

**Fisheries**

What are your priorities for the fisheries and aquaculture sector, and how will you achieve these?

Do you anticipate the 22 joint Fisheries Management Plans (FMPS) that are due to be published by the end of the year will be delivered?

How are you ensuring Welsh interests are represented in final FMPS, in particular that the plans ensure the 'sustainable management of natural resources' as set out in the Environment (Wales) Act?

I would be grateful to receive your written response to these.

Kind regards,



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

We welcome correspondence in Welsh or English

# Agenda Item 2.4

## Llyr Gruffydd

Aelod o'r Senedd dros  
Gogledd Cymru

—

Member of the Senedd for  
North Wales

By email to  
Cabinet Secretary for Climate Change and Rural  
Affairs

18 June 2024

Dear Minister

### Hybu Cig Cymru / Meat Promotion Wales

I write further to my correspondence to your predecessor on 8<sup>th</sup> February 2024 regarding the situation at Hybu Cig Cymru.

At the time, I urged the Minister to intervene in light of serious concerns regarding the handling of bullying allegations within the organisation.

I also asked the Senedd's Economy, Trade and Rural Affairs Committee to hold an inquiry into HCC given these concerns and their potential impact on the organisation's ability to deliver its remit.

Since then, the level of staff absences and turnover at the organisation has underlined to me that huge questions remain about how these issues are being dealt with.

We also heard yesterday that two well-respected members of the HCC Board have now resigned, which further heightens my worries about the culture within the organisation and the way it is being run.

In light of what seems to be a worsening situation at Hybu Cig Cymru, I again urge you to intervene, primarily to protect the welfare of all those involved in these allegations, but also to guard against any potential wider damage to the red meat sector in Wales.

Yours sincerely



Llyr Gruffydd MS

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@LlyrGruffydd 

LlyrGruffydd 

Dear Paul Davies MS

## **Subject: Future of Welsh Steel**

Thank you for your inquiry regarding the future of Welsh steel. As a significant player in the Welsh steel sector and an operator of an electric arc furnace (EAF), Celsa Steel is keen to share its perspectives on the industry's evolution and the potential pathways to a greener economy.

### **Domestic Demand for UK Scrap Steel**

The anticipated shift from primary steelmaking to EAF steelmaking will indeed increase domestic demand for UK scrap steel, much of which is currently exported. This transition presents a unique opportunity to enhance the circular economy within the UK. To support this development, the Welsh and UK Governments could consider the following regulatory and policy measures:

1. **Scrap Export Regulation:** Introducing regulations that restrict the export of scrap steel to countries with lower environmental standards could help retain high-quality scrap within the UK. This approach aligns with similar measures being implemented in the EU and would help level the playing field for domestic steelmakers.
2. **Incentives for Domestic Processing:** Providing tax incentives and support for improving scrap sorting and recycling facilities in the UK would enhance the quality and availability of scrap for domestic EAF production. This can include grants for technological advancements in scrap processing and recycling.

### **Government Actions to Support Welsh Steel Industry**

To ensure the future development and competitiveness of the Welsh steel industry, several key areas require attention:

1. **Competitive Electricity Prices:** The cost of electricity is a critical factor for the steel industry. The UK Government should work towards achieving parity with European competitors by reducing network charges and reforming the wholesale electricity market. This would involve delinking electricity prices from gas and making the most of renewable energy sources to lower costs for energy-intensive industries like steel.

2. **Decarbonisation Initiatives:** The steel sector's decarbonisation efforts need robust support from the government. This includes investing in infrastructure for hydrogen production and distribution, which is essential for replacing natural gas in steelmaking. Additionally, a dedicated Low-Carbon Steel Innovation Fund could accelerate the development of new technologies and processes that reduce CO<sub>2</sub> emissions and enhance energy efficiency.
3. **Public Procurement Policies:** Wales once led the way in public procurement but now seems to be lagging. The promise of a supply chain champion and the full implementation of the PPN 04/23 offer significant opportunities that are currently not being fully capitalized upon by the Welsh Government. Leveraging public procurement to favour domestically produced steel can significantly boost the industry. Setting local content targets for public projects, especially those related to green infrastructure such as wind turbines and hydrogen facilities, would stimulate demand for UK steel and ensure economic benefits are retained within the country.
4. **Trade Defence Measures:** Implementing a robust Carbon Border Adjustment Mechanism (CBAM) ahead of the EU's timeline can protect the UK steel market from high-emissions steel imports. Ensuring mutual recognition with the EU's CBAM framework will prevent trade diversion and maintain a level playing field for UK producers.
5. **Innovation and Skills Development:** Increasing investment in research and development specific to the steel industry is vital. Expanding the scope of the Industrial Energy Transformation Fund (IETF) and simplifying the application process would encourage innovation. Additionally, developing skills in areas like automation, digitalisation, and hydrogen economy is crucial for the industry's future.

Celsa Steel is committed to playing an integral role in the future of Welsh steel, contributing to a green economy, and supporting regional economic equality. We look forward to continuing our partnership with the government and other stakeholders to achieve these goals.

Thank you for considering our views. We are prepared to engage further and provide more detailed insights if required.

Yours sincerely,



Carles Rovira  
CEO, Celsa Steel

# Agenda Item 3

## Economy, Trade and Rural Affairs Committee Green Economy and General Scrutiny Evidence Paper

### Green Economy

**Within its devolved powers, what should be the Welsh Government's key priorities to maximise the potential economic opportunities from green economy sectors? To what extent does its current approach reflect these?**

The Green Economy will be one of the most important areas of economic development for the next decade and beyond.

We must grow our supply chains, unlock business opportunities, foster entrepreneurship and innovation and empower communities to lead on ambitious green funding investment. We want to ensure that businesses are resilient to changing climate conditions, have a skilled and knowledgeable workforce and that our businesses are meeting targets to reduce emissions.

We also want to create places where businesses can maximise the benefits of green infrastructure for sustainable growth. We must lead the current industrial revolution in our energy system to bring a just transition to a low carbon energy system.

We must also drive a circular economy where we keep materials in use and have a lower carbon footprint, reduces the environmental impact of extracting raw materials and reduces exposure to volatile global supply chains. Given Wales' market advantage with higher recycling rates and higher quality, source-separated materials, this creates opportunities for businesses.

Bringing the economy, skills, and energy portfolios together will facilitate our work to do this, by putting innovation, growth, entrepreneurship business opportunity and a resource efficient and green energy future at the heart of our economic policy.

The Welsh Government has prioritised the development of green economy sectors, through policy, legislation and funding. We have set ambitious targets, including:

- Wales to meet the equivalent of 100% of our annual electricity consumption from renewable sources by 2035, and to continue to keep pace with consumption thereafter.
- At least 1.5 GW of renewable energy capacity to be locally owned by 2035.
- Statutory recycling targets for Local Authorities – now at 70%

The move to Net Zero and supporting Carbon Budgets create a policy and legal framework that encourages decarbonisation, increased resource efficiency and associated growth in green economy sectors, including:

- The electrification of transport, including rail, bus, vans and cars;
- The generation of renewable power;
- Clean energy equipment manufacturing;
- Renewable fuels and green finance;
- Nature restoration and ecosystem services; and
- Increased resource efficiency in activity across supply chains, including development of Wales based supply chains where possible.

In many areas, we are already taking action to support businesses and unlock green growth. The Welsh Government's commitment to achieving net zero is acknowledged

and supported by the Business Wales service, which has integrated decarbonisation and climate change considerations into its service delivery. As a result, these issues are now central to conversations with businesses in addition to fair work and productivity.

The Development Bank of Wales is also remitted to develop financial products which support businesses transition towards net zero. It is piloting a new £10m pilot 'invest to save' offer called the Green Business Loans Scheme, which is helping businesses reduce their carbon emissions and save money on their energy bills.

We are also building supply chain maps to help companies bidding for Offshore Wind licences to be able to find a Welsh supply chain. The Welsh Government has also committed to track the growth (turnover and employment) in the low-carbon energy sector in Wales, using the Low Carbon and Renewable Energy Economy Survey. In future, we could supplement this data with information from industry leaders and representative organisations.

### **What are the key barriers to Wales making the most of opportunities in the green economy, and what steps should be taken to overcome these?**

There are several barriers to making the most of the green economy:

- The need for **capital investment** for large-scale infrastructure;
- **Constraints of existing infrastructure**, including energy grids (much of energy infrastructure is a reserved matter including the financial levers to support that infrastructure)
- Enough **skilled and experienced workers** in areas such as renewables installation, resource efficiency and in nature restoration.
- Developing a **Wales-based supply chain**;
- Ensuring availability of **suitable premises** for companies to expand, diversify and better utilise secondary raw materials as part of a circular economy.
- Lack of certainty in **planning process** and the need to align consenting and planning processes to ministerial objectives including policy and the Wellbeing of Future Generations Act.

In short, businesses will not invest in developing green capability and innovation unless there is a clear and certain pipeline of planned investment, and an understanding of what is required regarding accreditations, qualifications and skills.

In addition, there is inconsistent understanding of what is meant by the 'green economy' and what the opportunities are. Dialogue is required with stakeholders, buyers, and suppliers in key green economy sectors alongside the development of contract and investment pipelines, so the market has full visibility and understanding.

To help address this, I have asked my officials to establish a new advisory group to engage business leaders in Wales and help steer government policy and programmes which will include looking at how Wales makes the most of opportunities in the green economy. My officials are also looking to map out stakeholders and supply chains. These will help in identifying those who can support industry, highlighting opportunities for collaboration in improving skills and removing blockers.

My officials are already developing a series of short turn-around reviews into five areas to convene with stakeholders and provide real challenge to the government. These will consider our priority areas and how we can accelerate delivery, including across green growth areas such as floating offshore wind and skills.

In addition, the previous Minister for Climate Change published the third and final update against the actions of the Renewable Energy Deep Dive in March 2024. The Steering Group of stakeholders from across the renewable energy sector identified 21 barriers and challenges to be addressed in the development of renewable energy in Wales. The 21 actions included work on consenting and whilst work is ongoing, a great deal of work has already taken place on planning and consenting.

We continue to work with consenting bodies – National Resources Wales, Planning and Environmental Decisions Wales, and local authorities – to ensure there are sufficient resources to meet the expected increase in casework as we transition to a net zero Wales.

### **What actions should the Welsh Government take to support development of Wales-based supply chains in green economy sectors?**

Wales' success as a recycling nation, which is first in the UK, second in the World, puts us in a strong position to capitalise upon the economic opportunities presented by a circular economy.

In addition to the core actions taken by Business Wales, we are strategically working on the use of public procurement to develop Wales-based supply chains in green economy sectors. The Welsh public sector spends approximately £8billion each year on goods and services. We are supporting businesses in Wales via the Circular Economy Fund (CEF) for Business, to adapt their processes to utilise recycled material and improve their resource efficiency.

We are also targeting a range of indigenous and inward investment opportunities including supporting the investment by reprocessing businesses into Wales such as Jayplas. We are also working in partnership to develop opportunities for marine energy and floating offshore wind to maximise opportunity for the Welsh Economy. This includes our £31 million investment into Menter Môn's Morlais project with Natural Resources Wales, and our ongoing work to deliver Freeports in partnership with the UK Government.

However, we should not just focus on demand within Wales as this will only ever deliver a certain level of economic growth. There are several ways to support development of Wales-based supply chains more generally:

- Undertake a full analysis of supply side capability to identify current and potential future supplier capability.
- Ensure procurement approaches for work in the green economy are SME-friendly and are accessible to smaller Welsh firms.
- Establish what skills and accreditations are needed in the green economy sectors, undertake a skills analysis to gauge skills levels and gaps and provide the necessary training to Welsh firms.
- Ensure visibility of contract pipelines and investments in green economy sectors so businesses know what's coming up and can gear up for tendering
- Invest in new manufacturing where there is potential to exploit business opportunity in Wales and beyond.
- Learn from existing innovative approaches in this area and scale up.
- Expand the market for secondary raw materials to unlock the economic benefit of our high recycling rates, increasing resilience and competitiveness of Wales-based

supply chains. Continue funding and innovation-focused procurement approaches as a mechanism for developing Wales-based supply chains.

We need to identify the products and services of the future so that we can get ahead of the game and have a capable supply base ready to take advantage of the opportunities. We must focus on identifying opportunities which have sizeable and lasting demand within Wales and further beyond.

**What skills challenges exist in relation to transitioning to a green economy? What actions should be taken, and by whom, to ensure the skills are there to meet the growing demands of a green economy?**

Net Zero skills focuses on the sectors and skills necessary for achieving net zero. There are significant opportunities – and need – to build skills that will enable us to build climate resilience. This includes in areas like flood risk and drainage and in restoring nature and the functioning of ecosystems – as well as in areas like construction.

I particularly recognise the importance of creating a pipeline of skilled and talented individuals. This was one of our seven key priorities within the [Net Zero Skills Action Plan](#) that we published last year.

The direction of travel to meet the net zero commitments is further ahead in some emission sectors than others. In some sectors there is uncertainty amongst the workforce, industry, businesses and stakeholders on the direction of travel and how these changes could impact on the skills of their workforce or an individual's career pathway.

We also need to encourage more young people, especially women and minority groups, to study STEM subjects and train in engineering and construction.

To that end, in October 2023, we launched a Net Zero Sector Skills [consultation](#), which provided an opportunity to strengthen our understanding of the current skills position and skills challenges for each emission sector in Wales. The consultation aimed to capture further information on the skills needs for the current and future workforce. The summary of responses was published earlier this month.

The outcome of the consultation will help inform Sector Skills Roadmaps, which will include key milestones, skills requirements and workforce demands for each emission sector. These roadmaps will allow us to shift to the forefront in order to stimulate and create the workforce of the future. These will also help to visualise the opportunities and highlight the actions needed within the skills system and wider levers to support growth in our economy.

In the meantime, we have invested £30m in our Personal Learning Account programme to help employed people upskill and reskill. Part of this programme includes a £3.5m investment to meet net zero skills gaps in construction, energy, manufacturing and engineering. The wage cap has been removed for this element to allow more people to access these valuable net zero skills and qualifications. We have also created a specific net zero skills element within our Flexible Skills Programme (FSP) - to support employers upskill their staff to meet future economy needs.

We already have a strong apprenticeships offer around net zero skills, and plan to incorporate new and revised qualifications as they are developed to meet the changing needs of industry. For example, our Welsh Apprenticeship Pathway in Energy Management which was issued in March 2023.

We are adopting a new approach to the review and development of apprenticeship frameworks. Alongside taking a co-constructive approach by working with strategic stakeholders, there will be criteria for prioritising frameworks and pathways for review. These will include qualification expiry dates, consideration of sector reviews, numbers of learners on the various pathways and any inherent net zero requirements.

**What will workers and employers need for a just transition to a Net Zero economy to be achieved, and what actions should the Welsh Government take to deliver the elements of this that lie within its devolved powers?**

Fair work and social partnership are essential for achieving successful and sustainable business decarbonisation. Indeed, it is impossible to deliver business decarbonisation without the workforce. As with any significant transition, there is potential for the costs and benefits to be distributed unevenly and for workers to be negatively impacted. By prioritising fair work and by embracing social partnership, we can ensure a more just and inclusive transition as we decarbonise our economy and businesses.

Embedding fair work as part of a just transition will help to safeguard worker well-being, job security, and encourage workforce learning and development, which is essential to the resilience businesses will need. Moreover, engaging workers and trade unions in social partnership and involving them in decisions which impact the workforce will foster higher levels of trust, cooperation and ultimately enable more effective decarbonisation outcomes.

Employers will need to understand the scale and certainty of future investment to have the confidence to fund growth in workforce capability. To take advantage of a Just Transition, where new green economy sectors and jobs are located in communities across Wales will require a workforce trained in the skills required. Apprenticeships are a key part of this.

Through our financial support to the Wales TUC, we are supporting their work on just transition, including their ambitions to develop a network of Green Reps. This delivers on our Programme for Government commitment to support Wales TUC proposals for union members to become Green Representatives in the workplace.

**How will the Welsh Government need to work in partnership with others to realise the potential of the green economy and deliver a just transition? To what extent is the partnership working that is needed being undertaken?**

Partnership working is essential to realise the potential for green economy. We are already working with the Offshore Energy Alliance, the Celtic Sea Alliance, Marine Energy Wales and the Marine Energy Programme. I announced on the 17 April that we will be taking forward work with industry on a sector deal for renewable energy which will look to build on the work of the deep dive.

We have committed to working with representatives of all sectors and regions of Wales to develop a set of principles for grid development. To this end, I will be convening an independent advisory group on future electricity grid for Wales. This group will build an understanding of possible approaches to delivering electricity transmission infrastructure, agreeing to principles for the most appropriate solutions for Wales, and create a public evidence base to support these principles.

Wales' success in recycling has been built upon partnership working with Local Authorities and the waste sector and is the foundation of our approach in *Beyond*

*Recycling* to transition to a circular economy. We are working in partnership with industry as well as the public sector, voluntary sector and academic institutions in Wales to implement *Beyond Recycling*. We are also working with international partners to share best practice, research and collaborate. Wales has been chosen this year to host the International Circular Economy Hotspot in recognition of its leadership in the transition to the circular economy,

The development of the Manufacturing Action Plan was also based on consultation with Industry, Academia, and the Trade Unions. We need to actively get companies in Green supply chains to commit to our Ethical Employment in Supply Chains Code of Practice, which addresses issues such as inappropriate use of Zero Hours Contracts, Union Blacklisting and the Living Wage Foundation "Living Wage". To go further, we need to identify what UK Government and its delivery partners are planning in terms of investment, so that we can offer them ready-made supply chains which will help maximise the social and economic benefits for Wales.

We must now build on our work across regions in partnership with stakeholders to coalesce various funding streams and initiatives across different tiers of government, working with the new Investment Zones, the City Growth Deals and Local Authorities.

**The Welsh Government says it will face considerable budgetary constraints in the short term. How should it prioritise investment to support development of the green economy over the shorter and longer-term? What innovative approaches to financing could be considered to maximise potential investment and benefits?**

Economic Impact Assessments show that delaying investment in climate change results in higher costs to the economy. It is key that we prioritise investment in a way that enables action and makes the Welsh economy resilient and competitive in a decarbonising global economy.

Over recent years, the Welsh Government and local authority partners have recognised that some services may be delivered more efficiently through partnership and shared procurements. This is reflected in the establishment of the Corporate Joint Committees (CJCs) and their statutory roles in strategic economic development.

CJCs, local authorities, the NHS and other parts of the public sector procure goods and services from the green economy. We are considering how these procurements might be made more efficient and more strategic. This will provide better value for money and help the public sector to support green economy supply chains in Wales.

Our work on energy prioritises the retention and value from investment in Wales. We are already innovating through Trydan Gwyrdd, Ynni Cymru and the Local Energy Fund. Wales is the only part of the UK to have a public sector renewable developer. Trydan Gwyrdd Cymru has been established to lead new renewable energy projects on public land in Wales. This approach will ensure Wales benefits directly from the development of new renewable projects with income from developments coming back to the Welsh Government. Through Trydan we will also look to secure a greater level of direct benefit to communities supporting local green jobs and wider environmental and social value.

Budgetary constraints mean that we must think and act smarter on how we support Industry and leverage UK Government investment in line with our priorities. We also need to make even better use of assets such as the Advanced Manufacturing Research

Cymru facility, which is currently working on numerous initiatives to decarbonise our supply chains and could expand operations into developing green technology.

## **General Scrutiny**

### **Border Target Operating Model and Border Control Posts**

The UK Government published the Border Target Operating Model (TOM) in August 2023, with the agreement of the Welsh and Scottish Governments, setting out safeguards intended to protect biosecurity and food safety.

For imports other than from Ireland, physical checks on sanitary and phytosanitary (SPS) goods imported from the EU started from 30 April. This means that the checks have not yet gone live at Wales' three ferry ports.

We have not yet agreed a date for physical checks on imports from Ireland. I have committed that we will give reasonable notice for businesses to prepare for these checks. In the meantime, Wales continues to plan for three Border Control Posts (BCPs) for sanitary and phytosanitary checks: a government-run BCP in Holyhead; and two port-run facilities in Pembroke Dock and Fishguard. Construction has started in Holyhead, and we are finalising the designs with the Pembrokeshire ports.

The policy issues which were outstanding at the time of the TOM have not progressed and there is no prospect of resolution before the summer, more likely autumn.

The UK Government published "Safeguarding our Union" (31 January 2024), which sets out rules around goods moving between GB and Northern Ireland. There are features we welcome, including tightening the definition of Qualifying Northern Ireland Goods (QNIGs). This restates a commitment made in the TOM which was key to our agreement, helping to protect biosecurity and avoid trade diversion away from Welsh ports.

However, Safeguarding our Union also includes a statement that there will be no BCP at Cairnryan, even though it confirms that the TOM rules do apply to Irish goods (other than QNIGs) which are imported to GB via that route. We have been pressing the UK Government for more information on their proposals. It is essential we have clear rules for goods coming from the island of Ireland to Great Britain, and that authorities on the front-line are able to distinguish between QNIGs and other goods which are subject to the TOM regime and avoid abuse of the rules.

In steady state, the cost of border checks will be borne by importers, and the UK Government has agreed to meet the costs of building the Welsh BCPs, subject to approving business cases. However, they have made no commitment to fund wider costs, for example recruiting and training staff to conduct the checks. This is a Brexit-related cost which the UK Government should fund. In the absence of that commitment, the Welsh Government has provided initial funding so that Pembrokeshire and Ynys Mon can start preparations. However, they must recruit additional staff in the run up to physical checks, so we will need to identify funding before agreeing a start date.

We hope that a new UK Government will be able to address the issues that have been bequeathed to them in a constructive and collaborative way. If that new Government is a Labour administration then of course we will want to consider with them and other

administrations the implications of any potential veterinary agreement with the European Union, but at this stage, that is about all we can say.

## **EU/Non EU trade**

Prior to the announcement of the UK General Election several negotiations were underway; including with India, the GCC (Gulf Co-operation Council), Israel, Switzerland, Korea and Turkey. Negotiations are currently on pause with Canada and Mexico. On the 17 May the UK announced that it had formally deposited its instrument of accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Officials continue to engage with counterparts in UKG over the implementation of work under FTA committees, and the EU Trade and Cooperation Agreement (TCA).

We continue to see the value of a more substantive arrangement led by UK Government for the involvement of the Devolved Governments in work related to the TCA and the wider relationship. We look forward to progress on this after the UK General Election.

The UK-EU Partnership Council met on 16 May with WG officials present to represent Welsh Ministers. The TCA committees have begun to meet for 2024 with the meeting of the Fisheries Specialised Committee on 23 May. The large majority will be held in the Autumn.

## **Apprenticeships**

In our Policy Statement on Apprenticeships, we have developed a strategic framework for the future of the apprenticeship programme. There is a focus on addressing the challenges that both individuals and employers are facing due to the impact of the pandemic, the cost-of-living crisis, and economic changes.

We will be working closely with the Commission for Tertiary Education and Research to deliver against the Statement, ensuring that we maximise opportunities for the people of Wales.

This financial year we will invest over £143m in quality apprenticeships which deliver long-term economic benefits and strong careers.

We are proud of our record on delivering our flagship apprenticeships programme in Wales. Despite a backdrop of significant economic challenge - the loss of promised post EU funds, inflationary pressures and the rising cost of frameworks, Apprenticeship investment remains a key spending priority.

While the loss of ESF, with no replacement, means there will still be an impact on contract size while compared to 2023/24, officials are working positively with the network to plan delivery to maximise the use of available funding.

We carried out a Strategic Integrated Impact Assessment (SIIA) on the impacts of budget decisions which is publicly available.

The apprenticeship levy is a UK Government employment tax, which directly conflicts with, and undermines, areas of devolved responsibility. We work with all employers across Wales to support their current and future needs, irrespective of the levy.

As the revenues from the levy have replaced existing apprenticeship funding in England, the levy does not provide significant new money for Wales. The overall apprentice levy allocation that the Welsh Government receives from the UK Government is arrived at through the Barnett formula, Welsh Ministers then allocate resources in its budget according to Welsh priorities, as approved by the Senedd.

Since 2020-21, levy revenues can no longer be separately identified within Barnett payments. So, although the Welsh Government knew the actual amounts transferred over the first three years of the levy's introduction, we now have no knowledge of what these amounts are.

### **Foundational economy**

Nurturing the Foundational Economy continues to be a priority within my overall economic vision. Work is in hand to establish a new baseline of the sectors which make up this part of the economy. This will help us understand the current makeup of the Foundational Economy from a business and workforce perspective and will help inform our priority interventions going forward.

Plans are being developed to undertake evaluation of projects which completed in the last financial year and the learning from this work will be shared across portfolios to encourage further adoption of good practice.

Foundational Economy support is mainstreamed within the Business Wales offering. Through this, work is in hand to deliver two Foundational Economy expo events in the autumn, allowing local businesses to meet organisations and understand qualification requirements associated with upcoming contracts.

Our work on the Foundational Economy can contribute to the green economy. We are supporting Cyfle to provide 120 young people with training and work experience which will help provide vital skills in low carbon electrical and plumbing works. Wood Knowledge Wales is also being funded to coordinate low carbon timber networks, including focus on creating skilled roles and growing demand for locally produced timber products.

### **Freeports**

In December 2023, the Anglesey and Celtic Freeport consortiums submitted their Outline Business Cases (OBCs) which were assessed and outcomes discussed by Cabinet in March 2024. The former Minister for Economy agreed Celtic Freeport's OBC could be agreed by senior officials once some critical actions were addressed, and that a resubmission of the Ynys Mon OBC would require Ministerial sign-off as issues were more substantive. Both Freeports submitted their response to these critical actions on 22 April and these have been assessed by officials in both UKG and WG.

The General Election has meant the UKG is unable to make decisions and cannot undertake the process to designate tax sites until the OBCs have been approved. We had been working to get this process completed before summer recess. The designation of tax sites and further decisions will now be for a future UKG to consider. There are no delays from the WG side.

## Steel

The steel industry in Wales continues to operate in a challenging environment and has identified a number of priorities that need to be addressed to support sustainable steelmaking. These include decarbonisation, energy costs, the public procurement of steel and matters affecting steel trade.

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 is one of the Welsh based companies that was successful in receiving approval of over £20m of support through IETF.

From investing in the Steel and Metals Institute in Swansea University to the creation of the new Celtic Freeport – a move supported by Tata Steel UK - the Welsh Government has remained committed to using its levers to support the industry's transition and the jobs it can support.

The confirmation by Tata Steel UK on 25 April regarding the ending of blast furnace steel production at Port Talbot will have wide-reaching impacts for Tata workers, their supply chain and local communities. It is disappointing that the recommendations from the multi-union report commissioned by the UK Steel Committee on the transition to lower-carbon steelmaking at Port Talbot have not been taken up.

Since taking up my current post I have held meetings with the Company, the Steel Trade Unions, the Secretary of State for Wales and Neath Port Talbot Council regarding the future of Tata's Port Talbot site and downstream operations. The First Minister has also held talks with the Secretary of State for the Department of Levelling Up, Housing and Communities.

The First Minister visited Tata Steel Ltd in Mumbai on 10 April to discuss the future of Tata Steel UK and we will continue to engage with the Company to understand what the transition will mean in practice for all sites in Wales at ministerial and at official level.

The Tata Transition Board has agreed five priority areas for support. These cover Job Matching, Skills and Employability; establishment of a Supply Chain Transition Fund as well as a Business Growth and Start Up fund and support for mental health and wellbeing and a regeneration projects. We are working closely with partners on the Transition Board to ensure that people are aware of and can access to the support available to them.

The Welsh Government will continue to support steelworkers in any way we can and continue to push hard for the future of steelmaking in Wales.

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# Agenda Item 4

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