

Agenda – Economy, Trade, and Rural Affairs Committee

Meeting Venue:

Committee room 5 – Tŷ Hywel
and video conference via Zoom

Meeting date: 18 September 2024

Meeting time: 09.30

For further information contact:

Robert Donovan

Committee Clerk

0300 200 6565

SeneddEconomy@senedd.wales

Hybrid

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 – 12)

Attached Documents:

Response from the CEO, Development Bank of Wales – 24 June 2024

Welsh Government's response – Development Bank of Wales report – 28
August 2024



Development Bank of Wales' response – Development Bank of Wales report –
4 September 2024

**2.2 Welsh Government response to the Economy, Trade and Rural Affairs
Committee report: Research and Development**

(Pages 13 – 16)

Attached Documents:

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

**2.3 General Ministerial Scrutiny session follow-up – Cabinet Secretary for Climate
Change and Rural Affairs**

(Pages 17 – 18)

Attached Documents:

Letter from the Cabinet Secretary for Climate Change and Rural Affairs – 1
July 2024

**2.4 General Ministerial Scrutiny session follow-up – Cabinet Secretary for
Economy, Energy and Welsh Language**

(Pages 19 – 20)

Attached Documents:

Letter from the Chair to the Cabinet Secretary for Economy, Energy and Welsh
Language – 1 July 2024

2.5 The Welsh Government's Approach to Trade Policy

(Pages 21 – 49)

Attached Documents:

Letter from the Cabinet Secretary for Economy, Energy and Welsh Language –
10 July 2024

2.6 Future of Welsh Steel

(Pages 50 – 67)

Attached Documents:

Letter from the Cabinet Secretary for Economy, Energy and Welsh Language – 10 July 2024

Letter from the Chair to Welsh Government and UK Government – 18 July 2024

Response from the UK Government – 9 August 2024

Response from the Welsh Government – Future of Welsh Steel – 28 August 2024

2.7 Animal health and welfare – use of cages for game birds

(Pages 68 – 70)

Attached Documents:

Letter from the League Against Cruel Sports and Animal Aid – 18 July 2024

Letter from the Chair to the League Against Cruel Sports and Animal Aid – 23 July 2024

2.8 Hybu Cig Cymru – culture and operations

(Pages 71 – 72)

Attached Documents:

Letter from the Chair to Hybu Cig Cymru – 18 July 2024

2.9 The Welsh Government's 'Food Matters: Wales' policy

(Page 73)

Attached Documents:

Letter from the Cabinet Secretary for Climate Change and Rural Affairs – 22 July 2024

2.10 Agricultural Pollution Regulations

(Pages 74 – 75)

Attached Documents:

Letter from the Cabinet Secretary for Climate Change and Rural Affairs – 31 July 2024

2.11 Apprenticeship Levy reform

(Pages 76 – 78)

Attached Documents:

Letter from the Chair to the Secretary of State for Education, UK Government – 1 August 2024

Response letter from the Minister for Skills, UK Government – 22 August 2024

2.12 Sustainable Farming Scheme – feedback from stakeholders at the Royal Welsh Show

(Pages 79 – 80)

Attached Documents:

Letter from the Chair to the Cabinet Secretary for Climate Change and Rural Affairs – 9 August 2024

2.13 Green economy

(Pages 81 – 84)

Attached Documents:

Letter from the Chair to the Secretary of State for Business and Trade and the Secretary of State for Energy, Security and Net Zero, UK Government – 12 August 2024

Letter from the Chair to the Crown Estate – 12 August 2024

2.14 Economy, Trade and Rural Affairs Committee report – Farming Connect

(Pages 85 – 98)

Attached Documents:

Welsh Government's response – 20 August 2024

2.15 International Strategy and Cardiff Wales Airport

(Pages 99 – 101)

Attached Documents:

Letter from the Chair of the Culture, Communications, Welsh Language, Sport, and International Relations Committee – 20 August 2024

2.16 Sea Fisheries (Amendment) (No 2) Regulations 2024 (the “2024 Regulations”)

(Page 102)

Attached Documents:

Letter from the Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs – 22 August 2024

2.17 Inter-Ministerial Group for Environment, Food and Rural Affairs meeting

(Page 103)

Attached Documents:

Letter from the Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs – 30 August 2024

2.18 Service Level Agreement Welsh Ministers, Rural Payments Agency and British Cattle Movements Service

(Page 104)

Attached Documents:

Letter from the Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs – 2 September 2024

2.19 Economy, Trade and Rural Affairs Committee report: Welsh Government's proposals for a Sustainable Farming Scheme

(Pages 105 – 112)

Attached Documents:

Welsh Government response – 10 September 2024

3 The Foundational Economy – Panel 1

(09.30–10.30)

(Pages 113 – 135)

Emeritus Professor Karel Williams, University of Manchester

Professor Anne Green, University of Birmingham

Harry Thompson, Head of Fair Economy, Cynnal Cymru – Sustain Wales

Attached Documents:

Evidence paper – Foundational Alliance Wales

Evidence paper – Professor Anne Green and Professor Paul Sissons

Break

(10.30–10.35)

4 The Foundational Economy – Panel 2

(10.35–11.20)

(Pages 136 – 152)

Councillor Matthew Brown, Leader of Preston City Council

Ceri Cunnington, Development Worker, Cwmni Bro Ffestiniog

Attached Documents:

Research brief

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

(11.20)

Private meeting

(11.20–12.05)

6 Consideration of evidence following the meeting

(11.20–11.30)

7 Green economy: Key issues discussion

(11.30–12.00)

(Pages 153 – 171)

Attached Documents:

Key issues paper

8 International Trade Monitoring report discussion

(12.00–12.05)

(Pages 172 – 204)

Attached Documents:

International Trade Monitoring report

Paul Davies MS
Chair, Economy, Trade and Rural Affairs Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

24th June 2024

Via email to: SeneddEconomy@senedd.wales

Dear Paul,

Thank you for your letter and additional questions about the framework document.

In our evidence to the Welsh Affairs Select Committee, our Investment Director, Rhian Elston made reference to our investment operating guidelines which are documents internal to the Development Bank of Wales.

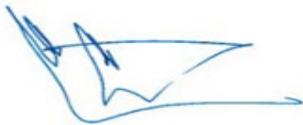
Each fund managed by the Development Bank has its own operating guidelines, agreed with the Welsh Government at the outset of a fund, which set out the fund parameters including areas such as investment terms, reporting and sector eligibility.

The guidelines also include a general line that activities which may bring either the Development Bank or the Welsh Government into disrepute are excluded. In practice, and in a very limited number of cases, the view of the Welsh Government about a business activity where a concern has been identified is sought from the partnership team.

As you have noted, in line with the framework agreement, investment decision making is taken independently of the Welsh Government (3.22) and in line with the fund agreements and associated documentation (4.19, 4.20). The corporate plan 2022/27 set out our plans to increase focus on environmental, social and governance (ESG) matters as part of investment decision making (p37) and we became signatories to the UN backed Principles of Responsible Investment in 2023.

I trust this has clarified the arrangements in place,

Yours sincerely,



Giles Thorley
Chief Executive

Development Bank of Wales Plc

Unit J, Yale Business Village, Ellice Way, Wrexham LL13 7YL
info@developmentbank.wales | developmentbank.wales



Mewn Partneriaeth â
Llywodraeth Cymru
In Partnership with
Welsh Government

Development Bank of Wales Plc is the holding company of a Group that trades as Development Bank of Wales. The Group is made up of a number of subsidiaries which are registered with names including the initials DBW. Development Bank of Wales Plc is a development finance company wholly owned by the Welsh Ministers and it is neither authorised nor regulated by the Prudential Regulation Authority (PRA) or the Financial Conduct Authority (FCA). The Development Bank of Wales has three subsidiaries which are authorised and regulated by the FCA. Please note that neither the Development Bank of Wales Plc nor any of its subsidiaries are banking institutions or operate as such. This means that none of the group entities are able to accept deposits from the public. A complete legal structure chart for Development Bank of Wales Plc can be found at www.developmentbank.wales



The Development Bank of Wales

Response to the ETRA Committee Report (July 2024)

16/08/2024

In July 2024, the Economy, Trade and Rural Affairs Committee submitted its report on the Development Bank of Wales.

The report includes 13 recommendations. This is the Welsh Government's response to those recommendations.

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Introduction

The Development Bank of Wales (DBW) supports growth across the Welsh economy through provision of loans or equity investments covering all stages of business development. Filling the space between business' need for finance and the supply of finance in the market, DBW addresses the 'gap' where the risk appetite and products of private sector funders cannot meet the needs of finance-seeking businesses.

Since 2017, DBW has matured and proven itself a stable and credible organisation which continues to show progress against strategic objectives within the policy and resource framework determined by Welsh Ministers. 2024/25 will be the eighth year of operation of the Development Bank and third in the current five-year strategic phase. Over that time, DBW has made an economic impact of over £1.7bn through direct investment, co-investment and delivery of investment services such as the Help to Buy Wales scheme.

DBW continues to demonstrate a clear contribution to economic development in Wales, as well as continual improvement across its functions. The ETRA Committee has constructively highlighted areas of challenge for the Bank and made valuable conclusions and recommendations which will shape DBW's future activities. The following report responds to the Committee's recommendations in the same spirit.

Response to the 13 recommendations

Recommendation 1

The Committee recommends that;

The Welsh Government should review its approach to succession planning and employee buyouts, and how the Development Bank of Wales can play a greater role in this, when developing the next remit letter for the Bank.

Response: Accept

In addition to our existing annual review of all funds, consideration will be given to the bank's role in providing accessible finance to support succession planning and employee buyouts when developing the next term of government remit letter. The £25m Wales Management Succession Fund continues to play an important role in helping businesses remain rooted and owned in Wales. This fund completes its investment term in 2026 and it will be timely for the 2026 Remit Letter to set out future expectations regarding this important area of delivery. The bank has followed the direction set out in the current remit letter to actively support employee buyouts.

Financial Implications: None

Recommendation 2

The Committee recommends that;

The Committee notes that the Development Bank of Wales's remit and responsibilities have grown and changed over time. The Welsh Government has explained how officials are engaged in a regular rhythm of meetings with the Bank with observer status, but the Welsh Government should set out the mechanism for reflecting changes to its economic priorities and focus over the course of a Senedd term. The Committee would like this to include, but not necessarily be limited to, a commitment to issue the Bank with more regular remit letters.

Response: Accept in principle.

The Welsh Government will set out additional details on the processes through which it updates the Development Bank on any changes to economic development priorities or other changes it requires the bank to address via an update to the current Framework Document. The Framework Document sets out the working relationships between the Welsh Government and the bank. The primary means of updating the bank of any significant change to priorities within a term of government will be via written communication from the Welsh Government to the Chair of the Board. Should any new directions necessitate changes to contracts currently in place between the Bank and the Welsh Government these will be revised accordingly.

The Development Bank has demonstrated that it is able to respond with pace and professionalism to new opportunities and changing circumstances. The bank's response to Covid-19 and more recently the introduction of the Green Business Loan Scheme and Help to Stay products are examples of this. The bank's annual report provides updates on how the bank continues to respond to prevailing economic conditions.

The move to provide Arm's Length Bodies with 'term of government' remit letters has been intentional and designed to assist ALBs by providing the stability needed for them to develop and deliver high quality corporate plans. The Welsh Government believes that 'term of government' remit letters are appropriate and fit for purpose. It is the view of both Welsh Government and the bank that this approach supports longer-term planning and organisational effectiveness. Therefore, it will continue to reflect changes in economic conditions through its current processes including biannual meetings between the Chair, CEO and Cabinet Secretary, its regular fund meetings with the Bank and, through the Bank's strategy reviews which take place every two years. Any substantive updates to the remit will be initiated when required within a term of government.

Financial Implications: None

Recommendation 3

The Committee recommends that;

The Development Bank of Wales should undertake or commission a piece of work to give the Cabinet Secretary for Economy, Energy and the Welsh Language a firm understanding of the impact on the Welsh economy of the private funding brought in because of direct investments by the Bank.

- **Response:** Accept.

The Welsh Government will task the Development Bank with directly undertaking or commissioning research to understand the economic impact of the private sector

investment which is induced by the Bank's investment. This should build on the existing work undertaken as part of the Economic Intelligence Wales research collaboration which has analysed the economic impact of the Development Bank's investments.

Financial Implications: None

Recommendation 4

The Committee recommends that;

The Development Bank of Wales should provide the Committee with more information on how it is supporting the development of community energy schemes.

Response: Accept:

The Development Bank of Wales supports local ownership in renewable energy projects through commercial finance provided from the £12.5 million Local Energy Fund.

The funding is provided by the Welsh Government and is managed by the Development Bank in conjunction with the Energy Saving Trust, directly supporting the Welsh Government's policy for 1 GW of renewable energy generation capacity to be locally owned by 2030. This fund can support a range of local ownership models including community groups and social enterprises to develop renewable energy projects.

As at March 2024, the fund has invested £11.6 million to 14 projects across Wales through project development loans, and capital expenditure loans. To date the fund has typically supported solar and wind projects developed by local community groups through patient capital. Support takes the form of long-term loans of up to £2m (larger by exception) and 9.37MW of capacity been recorded across projects supported.

For FY25 the Development Bank is exploring whether a Subsidy Control registration of the scheme might increase the number of viable projects it is able to support. In addition, the Development Bank will explore working with the newly formed Ynni Cymru to maximise the availability of capital for local energy projects across Wales.

Financial Implications: None

Recommendation 5

The Committee recommends that;

The Welsh Government should prioritise a review of Business Wales' functions and examine the feasibility and desirability of integrating these functions into the remit of the Development Bank of Wales and focus on streamlining the offer of support to businesses. Over the next 6-12 months the Cabinet Secretary should keep the Committee updated on consideration of this issue and give a clear rationale for the decision taken consequently.

Response: Accept in Principle

This recommendation is accepted in principle on the basis that future reviews of Business Wales and the Development Bank will consider where any further strengthening of the interface between the services is required and opportunities for service integration where appropriate. Welsh Government remains open to exploring

options while seeking to secure the stability, quality and impartiality of established service delivery.

Financial Implications: None

Recommendation 6

The Committee recommends that;

The Welsh Government must seek to conclude negotiations with HM Treasury as soon as possible on a satisfactory solution to the reclassification issue for the Development Bank of Wales. The agreement reached must protect the Bank's role and avoid restricting its activities as a lender and must also not have a detrimental effect on the Welsh Government's budgetary position in the future.

Response: Accept in principle:

The Welsh Government will continue to work constructively with HMT with the goal of concluding an outcome to the reclassification of the Development Bank which is 'budget neutral' on the bank and Welsh Government in accordance with HMT guidance.

Financial Implications: None

Recommendation 7

The Committee recommends that;

A review of whether the Development Bank of Wales should be placed on a statutory footing should be conducted by Welsh Government, but this work should be undertaken after the issue of the Bank's re-classification has been resolved. The review should consider which elements of the Bank's remit could and should be made statutory. The Cabinet Secretary should keep the Committee regularly updated on developments and planned timescales for that work.

Response: Accept

Recognising the long-term nature of work undertaken by the Development Bank and the importance of stability in carrying confidence in the market, a review will take place in line with the recommendation once matters arising from the reclassification of the Development Bank have been resolved.

Financial Implications: None

Recommendation 8

The Committee recommends that;

The Welsh Government should task the Development Bank of Wales with reviewing its due diligence processes, with a view to identifying whether there is a need to strengthen them. The Welsh Government should keep the Committee informed of the scope, progress, outcomes and agreed actions arising from this review.

Response: Accept

The Development Bank will be asked to conduct a due diligence review in line with the recommendation. An update on progress will be shared with the Committee.

Financial Implications: None

Recommendation 9

The Committee recommends that;

The Welsh Government should deposit in the Senedd Library all versions to date of the framework document setting out its relationship with the Development Bank of Wales and ensure the same is done for any future versions.

- **Response:** Accept in principle.

The Framework Document underwent a significant revision in 2021 and all versions from this date forward have been placed in the Senedd Library. Future updates will be lodged with the Senedd Library.

Financial Implications: None

Recommendation 10

The Committee recommends that;

The Committee acknowledges that the Development Bank of Wales has made some changes to its complaints handling process, however the Committee recommends that the issue of complaints handling is looked at within the recommended tailored review of the Bank.

Response: Accept in Principle

The Welsh Government intends to commission an independently led Project Assessment Review (PAR) on aspects of delivery and assurance provided by the bank in 2025. Complaints handling by the bank will be included in the terms of reference for that review. A summary report on the recommendations and actions arising from the independent PAR will be provided to the Committee to support future scrutiny of the bank.

Financial Implications: None

Recommendation 11

The Committee recommends that;

The Welsh Government and the Development Bank of Wales should both give consideration to how views of businesses can be collected in a confidential and/or anonymous way, including from those businesses that either haven't used the Development Bank before, or have applied for support and been unsuccessful. The Committee should be updated on the outcome of those deliberations.

Response: Accept

The Development Bank undertakes an annual stakeholder survey where responses are anonymous. This survey also captures the views of membership organisations such as the FSB, CBI, the UK Business Angel's Association and Chambers of Commerce. To ensure independence, the survey is undertaken by a third party. The Bank will give

further consideration as to how it may use other methods to encourage and gather feedback in a confidential way and update the Committee.

Financial Implications: None

Recommendation 12

The Committee recommends that;

The Welsh Government should conduct a full tailored review of the Development Bank of Wales, during this Senedd term as originally committed to in the Bank's term of government remit letter.

- **Response:** Reject

Tailored reviews of individual organisations have been paused following a decision by the Public Bodies Reference Group chaired by the Welsh Government Chief Operating Officer. The UK Government has also ended the tailored review process and moved to Focussed Reviews. The Welsh Government recognises that regular review is required, however, it will not be possible to undertake a tailored review within the recommendation's timeframe.

A tailored review, when required, is used to consider whether a mature organisation remains fit for purpose. As a young organisation, this approach is less relevant to the Development Bank. There are, however, alternative methods of reviewing an arm's length body that may be considered such as Project Assessment Reviews. A PAR was undertaken in 2021. This considered the controls, oversight and governance processes formally agreed and applied in practice between the Welsh Government and the Development Bank, giving an overall amber/green assessment.

The Welsh Government intends to commission an independently led PAR on aspects of delivery and assurance provided by the bank in 2025. The ETRA report will be used to inform the terms of reference for a further PAR and will include elements of the recommendations within the Committee's report.

The Welsh Government uses the three lines of defence approach to provide assurance as to the finance and operations of public bodies, and as such we are confident that the bank has a robust control and management system in place, through continued scrutiny by its Partnership Team, Board, Audit and Risk Committee, and both internal and external auditors.

The Welsh Government will be adapting and implementing the UK Cabinet Self-Assessment Model (SAM) risk model so that any future reviews will be based on a risk assessment done by both the Partnership Team and Public Body. The SAM reports on the efficacy, efficiency, governance and accountability of the organisation. Based on this holistic review, the next steps might include further support, evaluation, or a review which will be focussed on the identified area(s).

A working group will be put in place to implement the SAM model during 2025. The Welsh Government will work with the Development Bank as one of the organisations to pilot this model with a view to then conducting a focussed review which will be informed by the Committee's report and recommendations during 2026.

Financial Implications: None

Recommendation 13

The Committee recommends that;

The Committee welcomes the Bank's engagement with other Development Banks and relevant organisations and fora. It encourages the Bank to work further with the Montreal Group, to ensure it is adopting best practice, and the Committee supports its aim to fully join the Group.

- **Response:** Accept

Since the Committee published its recommendations the Development Bank has begun the process of formally joining the Montreal Group. The Welsh Government will continue to require the Development Bank to demonstrate that it is engaging appropriately to draw on best practice.

Financial Implications: None

Paul Davies MS
Chair, Economy, Trade and Rural Affairs Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA
Via email to: SeneddEconomy@senedd.wales

4th September 2024

Dear Paul,

To maintain the momentum on addressing the Committee's recommendations regarding the ETRA committee report on the Development Bank of Wales, I have set out below some progress on the items discussed in the report.

Recommendation 4 – Community Energy Schemes – Please find attached a briefing paper on our activity to support for local ownership in renewables.

Recommendation 6 - Accounting Treatment – Whilst this is a matter more specifically for our colleagues in Welsh Government, we have also initiated a conversation with our counterparties in other similar arm's length funding organisations inc. inter alia, British Business Bank, Scottish National Investment Bank, and Invest Northern Ireland to ensure there is a consistent approach to the treatment of these organisations that supports their stated objectives.

Recommendation 13 - Montreal Group – We are continuing the dialogue with the Montreal Group about closer co-operation. Following recent conversations, the Group feel that is unlikely that they will be able to offer full membership to regional development banks preferring to keep full membership to the national organisations.

We are making further progress on recommendations 3, 8 and 11 and will revert with further details as soon as possible.

Please come back to us if you have any questions or need more information on any of the matters discussed.

Yours sincerely,



Giles Thorley
Chief Executive

Development Bank of Wales Plc
Unit J, Yale Business Village, Ellice Way, Wrexham LL13 7YL
info@developmentbank.wales | developmentbank.wales



Mewn Partneriaeth â
Llywodraeth Cymru
In Partnership with
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The Local Energy Fund

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For FY25 the Development Bank is exploring whether a Subsidy Control registration of the scheme might increase the number of viable projects we are able to support, through the ability to allow more flexibility in the funding offer such as the related interest rate charges. In addition, the Development Bank will explore working with the newly formed Ynni Cymru to maximise the availability of capital for local energy projects across Wales.

Case Study

Supporting local ownership of large onshore wind projects

The Development Bank has initiated discussions with most of the major wind developers with projects in Wales to understand the role we could play in ensuring local ownership in these larger projects. We have had positive engagement through round table discussions¹, direct discussions as well as through support organisations such as Community Energy Wales.

There is no standard approach across the industry and these projects are on long timescales (5-10 years from prospect to funding need). We are seeking to understand models where funding can be provided to a community group enabling it to take the local ownership or funding could be provided directly with the Development Bank taking an equity position.

One of the most advanced models appears to be the Y Bryn scheme by Coriolis Energy who have signed memorandums of understanding around the creation of a community benefit fund and a community ownership model. Working with local voluntary organisations, the scheme will involve creating a new community benefit society called "Awel y Bryn Co-op" which will be managed jointly by Awel Aman Tawe, Bridgend Association of Voluntary Organisations and the Neath Port Talbot Council for Voluntary Service. We have reached out to the company to explore the detail of this model and whether there is a role for the Development Bank to enable this in the wider market. We are also in touch with the Scottish National Investment Bank who are also exploring options to meet this funding need.

We are engaged with local developers, such as Pennant Walters, on their projects. The capital markets have become more challenging in recent years for small developers, with the change in the feed in tariff. We are therefore considering whether this change has created a market gap.

¹Round table attendees included; RWE, Vattenfall, Belltown, Statcraft, EDF and Bute Energy.
Direct discussion with Pennant Walters

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

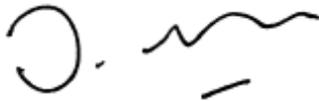
Paul Davies MS
Chair
Economy, Transport and Rural Affairs Committee

26 June 2024

Dear Paul,

Thank you for your letter of 7 May, and for providing me with a copy of the Economy, Trade and Rural Affairs Committee report on Research and Development. I am grateful for the Committee's work on this and attach the Welsh Government's response to the individual recommendations.

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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Correspondence.Jeremy.Miles@gov.wales

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

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

Written Response by the Welsh Government to the Economy, Trade and Rural Affairs Committee's report entitled *Research and Development*

Recommendation 1 - The Welsh Government should carry out, or commission, a review into the level of Quality Related funding provided to Welsh institutions, to determine the amount required for them to best carry out research and compete for external funding. The review should take the Diamond and Reid reviews into account and consider equivalent funding levels in England, Scotland and Northern Ireland.

Response: Reject

The Welsh Government has passed legislation to establish the Commission for Tertiary Education and Research (CTER). The Commission has a statutory duty to promote research and innovation. We have also issued a Statement of Strategic Priorities which the Commission is expected to achieve over the next five years. These include:

- promote collaboration to drive excellence in research and innovation, and develop measures for research performance so that outputs meet the country's needs;
- Develop a culture of innovation and engage in mission-based collaboration with business, industry investors and government that contributes to the economy and society.

The Commission will be responsible for the distribution of Quality Related (QR) funding, including associated enhancements linked to the Research Excellence Framework (REF). CTER becomes operational in August 2024 and will submit its Strategic Plan to Government in December 2024. CTER also has the ability to undertake analysis, and make a case to Welsh Ministers for additional funding, including QR.

Recommendation 2 - The Welsh Government should undertake more analysis of the spread of R&D funding across Wales in order to fully understand the national picture, and look at fostering partnerships or other specific funding initiatives outside the areas where successful innovation clusters already exist.

Response: Accept

There is a data sharing agreement in place between Innovate UK and Welsh Government which enables us to access data, over and above that which is in the public domain, on applications submitted for RD&I funding. Using this, and other datasets, we are planning to undertake further analysis on the regional spread of funding, as part of our review and evaluation activities for our Innovation Strategy, Wales Innovates.

We already have a collaborative plan with Innovate UK, aimed at leveraging increased RD&I funding into Wales, through strengthening our investment propositions. An example of joint working is a specific funding initiative for launchpads in South West and Mid and North regions, which are aimed at supporting, and further developing, clusters of small and medium enterprises in the areas of Net Zero and Agri-Food. The Welsh Government supported the development of these proposals, that were led in region by Local Authority, Academic and regional actors, such as City and Growth Deals.

Recommendation 3 - The Welsh Government should work with partners on a communications plan to highlight the impacts and benefits of publicly-funded research and innovation to a wider range of audiences in Wales, to raise awareness of how business and academia are collaborating on major innovation challenges and increase engagement and participation in R&D, starting with schools but reaching a range of audiences creatively.

Response: Accept

Improving communication on the opportunities for innovation, and the benefits was a key theme from the engagement and consultation for Wales Innovates, our innovation strategy. We will develop a communications plan, in partnership with the wider ecosystem, to further raise awareness of the impacts and benefits of publicly-funded research and innovation in Wales.

Recommendation 4 - The Welsh Government should look at what further support can be provided to SMEs: including to help them with the UKRI bidding application process, address issues relating to procurement and match funding; and to clearly signpost all the various funding streams and the help available to access them.

Response: Partially Accept

Welsh Governments Innovation Team provides one to one, and one to many support to SMEs and other organisations in Wales to raise awareness of, and develop proposals to, relevant UKRI funding competitions. Support includes identifying collaborative partners, match funding opportunities, developing strong proposals and, where required, providing letters of support. We accept that further support could be provided and will be considering ways in which we can expand and further raise awareness of the support on offer.

We partially accept the recommendation to address issues relating to procurement and match funding. All UK public authorities, including UK and Welsh Government, are required to ensure their funding complies with the terms of the Subsidy Control Act 2022. Funding for RD&I is subject to the maximum limits of the relevant subsidy compliance pathways currently in place. We will review our approach to match funding, and potential options for greater flexibility, however the regulation of subsidies in the UK is currently a reserved matter.

The procurement landscape in Wales has changed following the introduction of three pieces of legislation that affect the way public procurement will be undertaken in Wales. These are:

- The Procurement Act 2023 (The Act)
- The Social Partnership and Public Procurement (Wales) Act 2023 (SPPP Act)
- The Health Service Procurement (Wales) Act 2024 (HSP Act)

The Procurement Act includes provisions to support SMEs, including:

- A specific duty on contracting authorities to consider how to reduce and remove the barriers that SMEs may face when trying to access public procurement opportunities. These barriers can include over-complicated tender processes and the requirement to submit documents multiple times, and SMEs can sometimes find themselves at a disadvantage when competing against larger firms with dedicated bid-writing resource and more experience in public sector procurement.
- The new rules have been simplified and are less bureaucratic than the existing Regulations, making public sector contracts more accessible to small businesses and voluntary and community groups.
- Furthermore, the new central digital platform will provide SMEs with additional notice on planned procurement activity and will enable them to identify and manage procurement opportunities from across the UK and countries with which the UK has trade agreements.

Furthermore, the Welsh Procurement Policy Statement, which applies to all public sector bodies in Wales, many of which support local SMEs and social enterprises through bidding processes and building resilient local supply chains.

Ein cyf/Our ref: HID/PO/0176/24

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

SeneddEconomy@senedd.wales

1 July 2024

Dear Paul,

Thank you for your letter of 18 June requesting further information on fisheries following the general ministerial scrutiny session on 13 June. I am happy to provide an answer to each of your questions:

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

I am aware the former Rural Affairs Minister intended to set out a strategic approach for fisheries and aquaculture. I understand this was endorsed by the Ministerial Advisory Group for Welsh Fisheries, who I look forward to meeting with in due course. I intend to progress the commitment and will set out a statement in the autumn.

In the meantime, I expect our future direction to remain as previously set out, with the delivery of sustainable management at its core, and a focus on delivery of Fisheries Management Plans and adaptive management measures. All supported by science and evidence, and engagement with stakeholders.

We will continue to deliver in line with our statutory duties and seek opportunities and initiatives to support the industry to develop and grow. Our funding rounds through the Welsh Marine and Fisheries Scheme will be designed to underpin all the priorities to help deliver the outcomes we all want to see. I am pleased to say we had a positive take up for Round 4 of the Scheme and are currently considering the applications.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
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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.

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?

My officials are working with the other Fisheries Administrations, partner bodies and stakeholders to develop draft FMPs which will be subject to consultation. It has always been an ambitious programme of FMPs, set out in the Joint Fisheries Statement, not least because the publication of FMPs is just the beginning of the process and significant work and resource is required to implement the plans.

Discussions are underway with the other Fisheries Administrations about the publication timescales for the 22 joint plans, and the calling of the General Election will inevitably have an impact, but I can assure you they will be progressed as quickly as possible and delivery of them remains a priority across all Administrations.

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?

Fisheries Management Plans (FMPs) will be key tools to deliver sustainable and well-managed fisheries, helping to meet the Joint Fisheries Statement (JFS) policy commitments and the Fisheries Objectives. A key focus is on the sustainable management of our resources, which is in line with the requirements of the Environment (Wales) Act. FMPs will set strategic direction and provide a 'road map' for the management of key stocks including the development of future management measures and the mitigation of environmental impacts.

As I noted above, all FMPs will be subject to consultation to ensure Welsh stakeholders have the opportunity to input, and their views are represented.

In addition, FMPs for Seabass and King Scallop were published in December 2023 and stakeholder advisory groups have been established to support implementation of the plans in Wales. There will also be FMPs for whelks, cockles, and crab and lobster in Wales during the period of this JFS. The Crab and Lobster FMP is due to be published in 2026. Working with partner organisations, in April a number of successful pre-consultation meetings were held across Wales in Bangor, New Quay and Milford Haven. Further pre-consultation meetings are due across the summer with Welsh interests.

Once again, thank you for writing to me on this important topic. I hope this information is helpful to the Committee.

Yours sincerely,



Huw Irranca-Davies AS/MS

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

Jeremy Miles MS

Cabinet Secretary for Economy, Energy and Welsh Language

01 July 2024

Dear Cabinet Secretary

Follow up to meeting of 26 June 2024

Thank you for attending the general ministerial scrutiny session and the green economy session on 26 June. Due to time constraints there were some questions we could not cover in the session, as set out below:

Freeports

Your paper highlights the delays caused by the UK General Election in approving the outline business cases (OBCs) for the two Welsh freeports and designating tax sites. What timescales are you working towards in terms of being able to make announcements on these areas with the next UK Government?

Your written evidence identified that ministerial sign-off would be required for the Anglesey Freeport's OBC, as there were substantive issues to resolve. Have these issues now been resolved to your satisfaction, and have you signed off the OBC?

Members also welcomed your offer to write to the Committee to advise on the actions Welsh Government are taking to substitute and improve food security around basic products, and to provide more information on the reasons for pausing trade deal negotiations with Canada and Mexico. Members also welcomed your commitment to publishing the Welsh Government's paper on its approach to trade policy and the cross-cutting policy objectives after the general election.

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

Kind regards,

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

Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English



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

Agenda item 2.5


Llywodraeth Cymru
Welsh Government

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

10 July 2024

Dear Paul,

I'm pleased to share the Welsh Government's Approach to Trade Policy Paper which will be published on 11 July 2024.

The purpose of this paper is to set out our approach to trade policy, its grounding in the Well-being of Future Generations Act, and explain the cross-cutting policy objectives we believe the UK government should pursue when negotiating trade agreements.

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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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

The Welsh Government's Approach to Trade Policy



June 2024

Pack Page 22



Statement

The Welsh Government's approach to trade policy is underpinned by our ambition to increase prosperity in Wales, our values, our wider commitments to sustainability and our responsibilities through the Well-being of Future Generations Act. This includes growing our economy sustainably, enhancing exports and attracting inward investment; acting as a responsible nation on the global stage; respecting and protecting human rights; taking action to respond to the global climate emergency and safeguarding our valued public services.



Purpose



The purpose of this document is to set out our approach to Trade Policy, its grounding in the Well-being of Future Generations Act, and explain the cross-cutting policy objectives we believe the UK government should pursue when negotiating trade agreements.



What is trade policy?

Trade policy refers to a set of rules, regulations, and agreements established by governments to govern their international trade activities. These policies outline the terms under which goods, services, and investments can be exchanged between countries. Traditionally, trade policies aimed to promote economic growth and investment, protect domestic industries, and ensure fair competition in global markets.

Key components of trade policy include tariffs (taxes on imported goods), quotas (limits on the quantity of goods that can be

imported), subsidies (financial assistance to domestic industries), and trade agreements (bilateral or multilateral agreements between countries to facilitate trade). Trade policy also encompasses regulations related to intellectual property rights, labour standards, and environmental protections.

Trade policy can also include levers to encourage inclusive trade, thus ensuring access to trade agreements for Small and Medium Enterprises (SMEs) and removing unnecessary barriers to trade.



Context

In recent years, the trade environment has changed beyond all recognition. As the world changes, Wales changes with it.

Our prosperity has long depended on trade, with opportunities opening up around the world and here at home. The collective challenge for us in Wales is to identify those opportunities and equip ourselves to take fullest advantage of them to boost the economic, social, cultural and environmental well-being of Wales, consistent with our values and our obligations under the [Well-being of Future Generations Act](#).

Our trade policy in Wales needs to complement our [International Strategy](#), which sets out our three core ambitions: to raise Wales' profile on the international stage, to grow our economy by increasing exports and attracting inward investment, and to establish Wales as a globally responsible nation.

Our trade policy also needs to meet our [Export Action Plan](#) commitment to:

“Ensure our exporters are prepared for any new trading environment (requirements) with the EU, following the ending of the transition phase following the UK's exit from the EU and any other new free trade agreements”.

Trade and Devolution



The UK's exit from the EU means that the UK government can now negotiate and agree new trade agreements with trading partners across the world. Only the UK government can enter the whole of the United Kingdom into trade deals. However, Welsh Ministers have the power to make representations to the UK government whilst negotiating trade agreements and the Senedd has competence to pass laws relating to the observation and implementation of international obligations.

Wales, therefore, has a clear interest in trade deals as they can impact on our people, places and businesses and create new international opportunities and obligations. The Senedd, and the Welsh Government, are responsible for implementing obligations in devolved areas.

Our role in negotiations is to promote Welsh interests so that the UK government negotiates agreements that create opportunities which benefit Wales, align to our values, and do not undermine our own domestic policy.

Securing economic benefits within trade negotiations is fundamentally important. Alongside this, trade is inherently linked with other global issues and we want to ensure our core values are contained within the UK's international treaties. For example, the UK's new Free Trade Agreement with New Zealand contained comprehensive cross-cutting provisions including distinct chapters on the Environment, Labour, Development and Trade and Gender Equality.

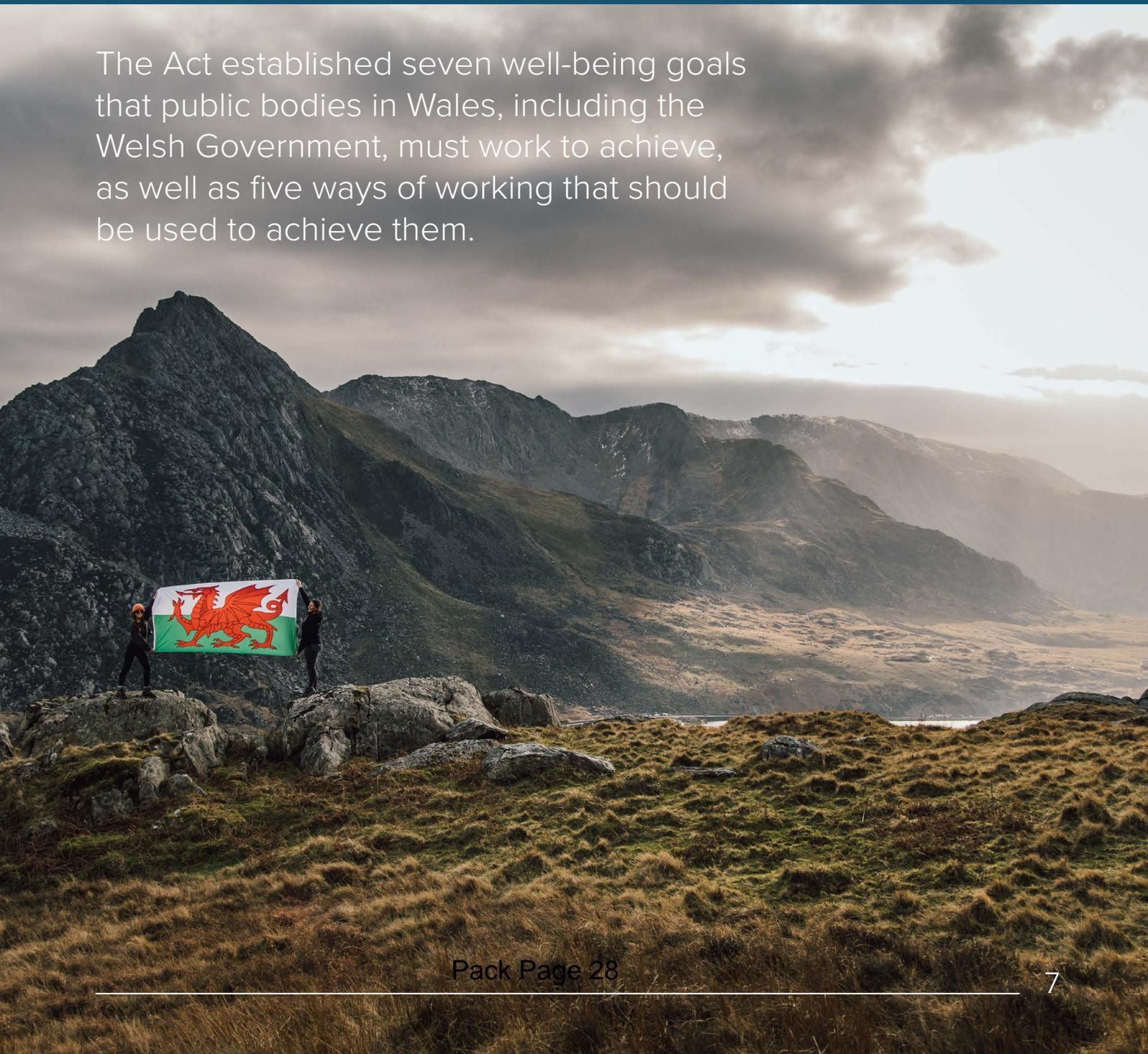
Different countries may have different approaches to issues, such as human rights and environmental protection, and engagement with these countries must be considered carefully but not ruled out.

Wales has always sought to influence change through positive international engagement, public diplomacy, and leading by example with the Well-being of Future Generations Act, whilst accepting that significant change takes time. We use our international engagement and relationships to promote our values and culture and trade deals should not undermine this approach.

Approaching Trade Policy through the Well-being of Future Generations Act

The Well-being of Future Generations (Wales) Act 2015 ('the Act') requires public bodies in Wales to think about the long-term impact of their decisions, to work better with people, communities and each other, aiming to help prevent persistent problems such as poverty, health inequalities and climate change. The Act is about improving the social, economic, environmental and cultural well-being of Wales.

The Act established seven well-being goals that public bodies in Wales, including the Welsh Government, must work to achieve, as well as five ways of working that should be used to achieve them.





Only the UK government has the power to conclude international agreements that bind the UK, but any trade agreement will likely have long-term impacts on the economic and social well-being of Wales and, therefore, the link between the well-being goals and international trade policy is significant. Trade deals will also directly impact on the ability of the Welsh Government and other Welsh public bodies, including local authorities, to deliver against the goals and objectives set out in the Act.

Whilst the UK government is not subject to the Well-being of Future Generations Act, the Welsh Government will be guided by the well-being goals and ways of working in communicating its priorities to the UK government and in its analysis of trade agreements.

Historically, trade negotiations have focused narrowly on the economic benefits of developing closer trading relationships with other trading partners. However, more recent trade agreements have expanded to include a wider set of cross-cutting areas such as small and medium enterprises (SMEs), female economic empowerment, labour and climate change. The impact of trade agreements on wider policy areas cannot be overlooked and, if not considered fully, trade deals can have unintended consequences in a range of areas. Trade agreements create international obligations which, in principle, bind future generations. Those obligations may diverge over time from domestic policy aspirations and can be complex and time consuming to renegotiate.

The potential impact that trade policy could have on our well-being goals, whether through affecting businesses, consumers, communities, domestic policy or the impact that we have globally, is at the forefront of our minds. In Wales, we consider trade policy through a Well-being of Future Generations lens, as well as in economic terms. The analysis we've conducted on the [Australia, New Zealand and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership \(CPTPP\)](#) agreements has been done through this lens, taking into account how chapters of these agreements relate to the national well-being goals.

How The 7 Well-Being Goals Influence Trade Policy

The seven established national well-being goals relate to the UN Sustainable Development Goals.

The Well-Being of Future Generations Act requires policymakers in Wales to put the sustainable development principle into practice:

“

Act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.

”

Underpinning these goals is the principle of sustainable development incorporated into the foundation of devolution in Wales from 1998. The Well-being of Future Generations Act also includes five ways of working intended to demonstrate best practice and to support the well-being of future generations. These are integration, collaboration, long-term, involvement and prevention.

In Wales, we have a responsibility to align our trade policy values with the seven well-being goals and five ways of working.

The Well-being Goals:

A Prosperous Wales

How trade agreements could contribute to a Prosperous Wales:

- ◆ We want to see trade agreements unlock additional trade for Welsh businesses by boosting the economy and increasing wages across Wales, whilst eliminating tariffs on Welsh goods exports.
- ◆ Any trade agreement negotiated by the UK government should serve to increase fair work in Wales and should not undermine, or put at risk, existing worker's rights and protections.
- ◆ We want to see provisions to help support Small and Medium Enterprises to take advantage of trade agreements.
- ◆ We want to see innovation provisions, including a separate innovation chapter, included in all trade agreements to provide a mechanism to discuss innovation on trade. This should include regulatory approaches, commercialisation of new technologies and supply chain resilience to ensure that trade agreements remain fit for purpose as our economy grows.
- ◆ We would want to see appropriate safeguards to prevent domestic industries from the adverse effects of cheap imports.
- ◆ Trade agreements should take account of the proportionate and efficient use of resources when it comes to what we trade.

Goal: An innovative, productive and low carbon society which recognises the limits of the global environment and therefore uses resources efficiently and proportionately (including acting on climate change); and which develops a skilled and well-educated population in an economy which generates wealth and provides employment opportunities, allowing people to take advantage of the wealth generated through securing fair work.

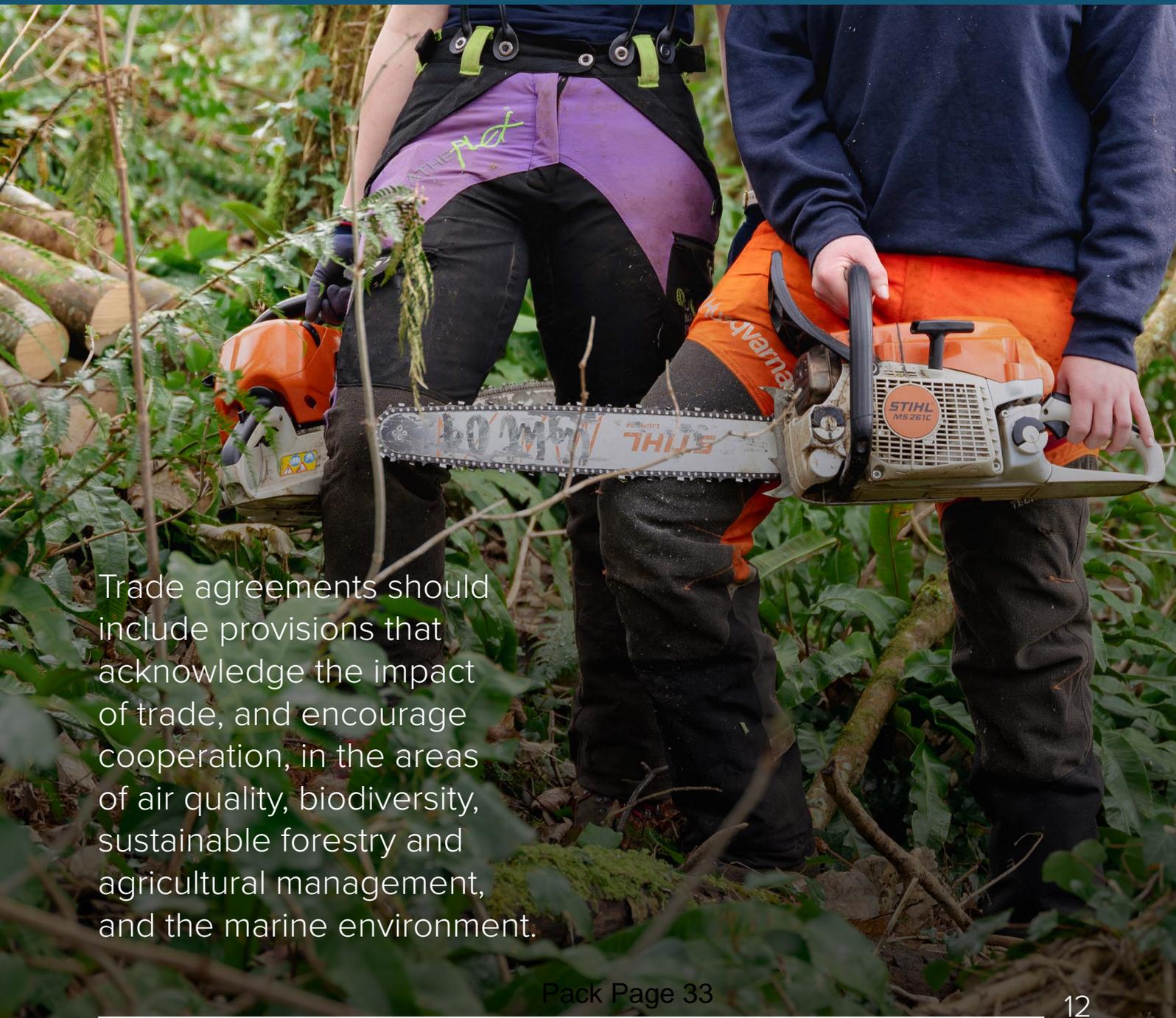
The Well-being Goals:

A Resilient Wales

How trade agreements could contribute to a Resilient Wales:

- ◆ Our expectation is that environmental provisions should form a key part of trade negotiations, and that no trade agreement should impact on our ability to meet our existing commitments both domestically and under international agreements and alliances (e.g. our membership of the Beyond Oil & Gas Alliance) or prevent us from making ambitious commitments in the future. Furthermore, trade agreements should not simply seek to restate international commitments or targets but, instead, should be used as an opportunity to enhance and strengthen existing commitments.
- ◆ We will always ask the UK government to seek high ambition provisions to reflect the importance that the Welsh Government places on the environment, both in terms of addressing climate change and ensuring high levels of environmental protection.
- ◆ Trade agreements should include provisions that acknowledge the impact of trade, and encourage cooperation, in the areas of air quality, biodiversity, sustainable forestry and agricultural management, and the marine environment.

Goal: A nation which maintains and enhances a biodiverse natural environment with healthy functioning ecosystems that support social, economic and ecological resilience and the capacity to adapt to change (for example, climate change).



Trade agreements should include provisions that acknowledge the impact of trade, and encourage cooperation, in the areas of air quality, biodiversity, sustainable forestry and agricultural management, and the marine environment.

The Well-being Goals:

A Healthier Wales

How trade agreements could contribute to a Healthier Wales:

- ◆ Trade agreements must not change the fundamental principles of the NHS in the UK and Wales – free care provided to all on the basis of need at the point of use and funded through general taxation.
- ◆ Every trade agreement negotiated by the UK government should not affect our ability to regulate and deliver on our devolved health commitments.
- ◆ We would want trade agreements to help to increase supply and access to health and social care workers, and to cost effective medicines.
- ◆ Trade agreements should be used to gain access to a wider choice of low-cost healthy foods.
- ◆ Any trade agreement should ensure that we can maintain our high standards on Sanitary and Phytosanitary measures and measures to combat anti-microbial resistance are maintained and improved.
- ◆ Wider economic, environmental and social factors impact on our health and well-being. We want to ensure that all provisions in a trade agreement support the health and well-being of those in Wales and does not worsen health inequalities.

Goal: A society in which people's physical and mental well-being is maximised and in which choices and behaviours that benefit future health are understood.

The Well-being Goals:

A More Equal Wales

How trade agreements could contribute to a More Equal Wales:

- ◆ Trade agreements should include provisions to help reduce poverty and socio-economic disadvantage across populations and geographic areas including access to fair work and opportunities for businesses and people in Wales to contribute towards trade discussions.
- ◆ We want to see a separate chapter on trade and gender included in the UK trade agreements, as this sends a clear signal to trading partners of the importance of advancing gender equality and enhancing women's ability to take full advantage of trade agreements. We would also want to see gender-related provisions throughout the trade agreement.
- ◆ Trade agreements should include enforceable labour provisions, including a separate labour chapter with provisions to enforce the 8 core conventions of the International Labour Organisation (ILO).
- ◆ We want to see realistic impact assessments from the UK government so that we can mitigate the impacts for the sectors and communities in Wales that may be negatively impacted from a trade agreement. Trade agreements should not create advantages for some, at the expense of significant disadvantages for others.

Goal: A society that enables people to fulfil their potential no matter what their background or circumstances (including their socio-economic background and circumstances).

The Well-being Goals:

A Wales of Cohesive Communities

How trade agreements could contribute to a Wales of Cohesive Communities:

- ◆ We will make it clear to the UK government that deals which have disproportionately negative impacts on particular sectors would inevitably affect the communities around them. For example, agriculture is particularly important to rural communities, providing economic activity and employment. The same is true for other areas that have a high reliance on one particular sector. Wider employment opportunities, as well as health considerations (as noted under 'prosperous' and 'healthier' above) will also have an impact on communities.
- ◆ The inclusion of provisions in trade agreements to enable youth mobility and business-to-business mobility could promote diversity and global responsibility in our future generations.
- ◆ Trade agreements should include provisions to improve key services, which could lead to better connected communities.

Goal: Attractive, viable, safe and well-connected communities.

We will make it clear to the UK government that deals which have disproportionately negative impacts on particular sectors would inevitably affect the communities around them. For example, agriculture is particularly important to rural communities, providing economic activity and employment.



The Well-being Goals:

A Wales of Vibrant Culture and Thriving Welsh Language

How trade agreements could contribute to a Wales of Vibrant Culture and Thriving Welsh Language:

- ◆ We will make clear to the UK government throughout trade agreement negotiations that certain sectors, such as agriculture, are integral to supporting Welsh culture and Welsh speaking communities. We will use our export activities, where appropriate, to highlight the strength of Welsh culture and national identity as positive factors in encouraging trade and inward investment opportunities resulting from trade agreements.
- ◆ We would ask the UK government to exclude any commitments and obligations made on the audio-visual industry (creative industries) as these provisions could have a negative impact on the Welsh language and culture.

Goal: A society that promotes and protects culture, heritage and the Welsh language, and which encourages people to participate in the arts, and sports and recreation.

The Well-being Goals:

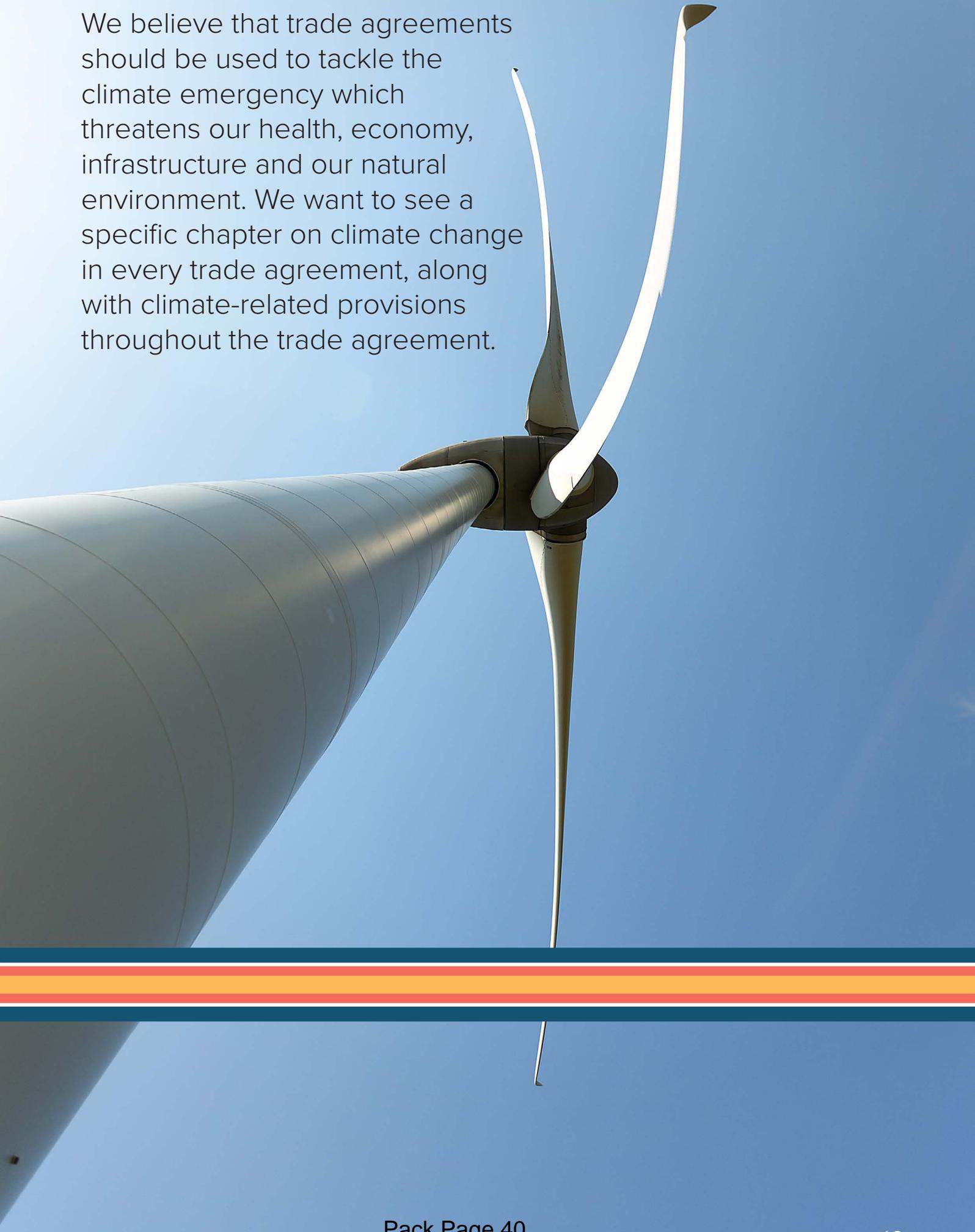
A Globally Responsible Wales

How trade agreements could contribute to a Globally Responsible Wales:

- ◆ We believe that trade agreements should be used to tackle the climate emergency which threatens our health, economy, infrastructure and our natural environment. We want to see a specific chapter on climate change in every trade agreement, along with climate-related provisions throughout the trade agreement. Trade agreements should not simply seek to restate international commitments or targets relating to the climate emergency but, instead, should be used as an opportunity to enhance and strengthen existing commitments.
- ◆ We would want to see firm commitments within trade agreements to help improve animal welfare standards and the global threat of anti-microbial resistance.
- ◆ Trade agreements should include a Trade and Development chapter to acknowledge the importance of trade as a tool for promoting sustainable and inclusive economic growth and poverty reduction. Provisions within trade agreements should allow for the monitoring of the impacts of the agreement on developing countries.
- ◆ Trade agreements should be used as a platform for constructive engagement around the environment, human rights, health and equality.

Goal: A nation which, when doing anything to improve the economic, social, environmental and cultural well-being of Wales, takes account of whether doing such a thing may make a positive contribution to global well-being.

We believe that trade agreements should be used to tackle the climate emergency which threatens our health, economy, infrastructure and our natural environment. We want to see a specific chapter on climate change in every trade agreement, along with climate-related provisions throughout the trade agreement.



Influence

The Well-being of Future Generations Act puts in place a “sustainable development principle” which means that we must act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.



How The 5 Ways Of Working Influence Trade Policy

There are five ways of working that we need to consider in order to apply the sustainable development principle. Here is how we will apply the ways of working, and how we want the UK government to apply the sustainable development principle, when negotiating trade agreements:



Collaboration: How acting in collaboration with any other person (or how different parts of the body acting together) could assist the body to meet its well-being objectives or assist another body to meet its objectives.

What we ask of the UK government:

- ◆ To continue to engage with devolved governments consistently, at both Ministerial and official level, and be transparent throughout. We would also encourage the UK government to engage directly and regularly with Welsh businesses, trade unions, public bodies and civil society throughout the lifecycle of a trade agreement.

What we will do:

- ◆ Continue to work closely across the policy areas of Welsh Government, and with our range of stakeholders, to identify the potential opportunities and risks resulting from trade agreements being negotiated by the UK government. We will also continue to engage regularly with the UK government to ensure it receives the Welsh perspective on potential trade agreements and how trade agreements could potentially help or hinder our well-being goals.



Integration: Considering how the public body’s well-being objectives may impact upon each of the well-being goals, on their other objectives, or on the objectives of other public bodies. In particular where steps taken by the body may contribute to meeting one objective but may be detrimental to meeting another.

What we ask of the UK government:

- ◆ To put in place a comprehensive trade policy strategy that sets out how trade should interact with key policy areas such as environment, human rights, health and equality.
- ◆ To undertake comprehensive impact assessments before signing a trade agreement to identify potential impacts across a range of sectors, including their impact on devolved governments.

What we will do:

- ◆ We will continue to consider trade policy through a Well-being of Future Generations lens, as well as in economic terms. The analysis we’ve conducted on the Australia, New Zealand and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) agreements has been done through this lens, taking into account how chapters of the agreement relate to the national well-being goals.





Involvement: The importance of involving other persons with an interest in achieving the well-being goals and of ensuring those persons reflect the diversity of the population.

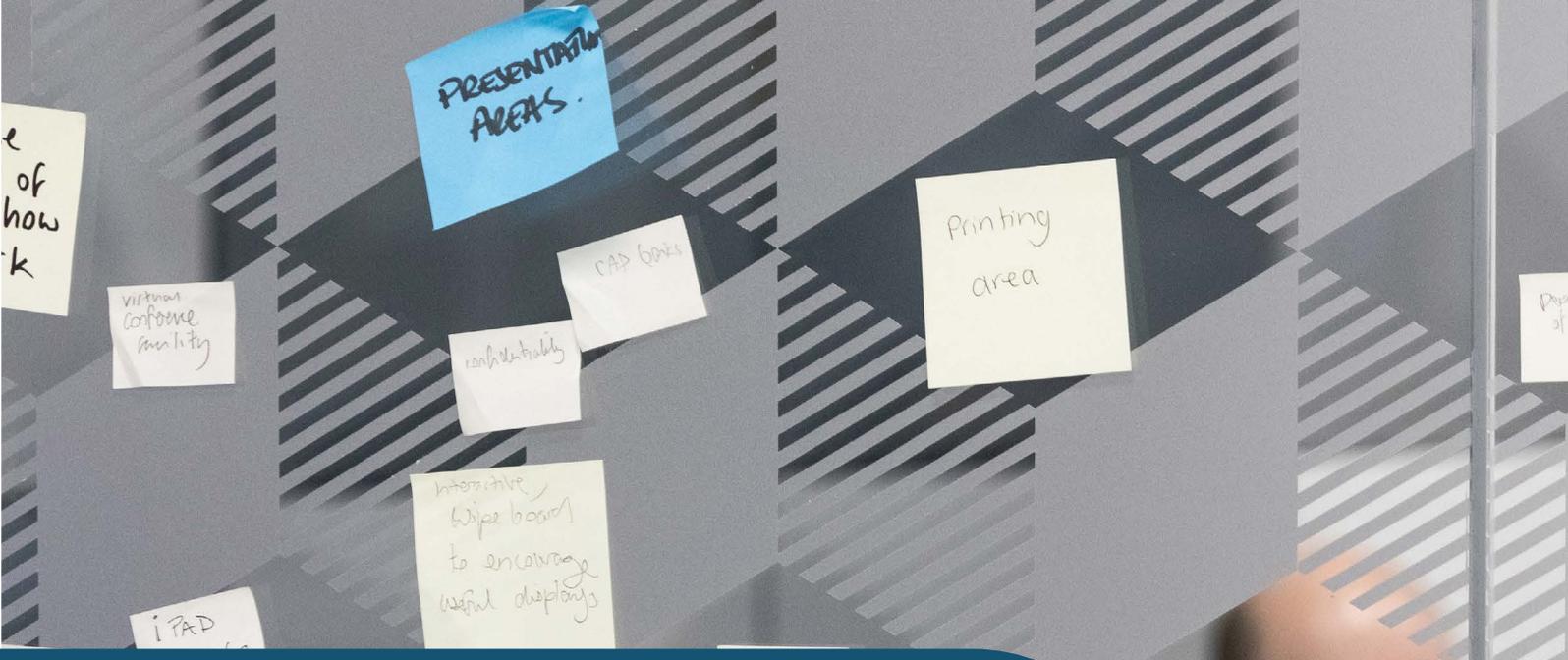
What we ask of the UK government:

- ◆ To put structures in place to ensure that they are engaging effectively with people, businesses, trade unions and civil society in Wales. Engagement should take place throughout the life cycle of the trade agreement, from scoping an agreement right through to implementation and monitoring through the committees established under the trade agreements.

What we will do:

- ◆ Ensure that the Cabinet Secretary for Economy, Energy and Welsh Language's Trade Policy Advisory Group has representation from the different business sectors, civil society including public bodies and academia, and Trade Union representation. The Trade Policy Advisory Group provides expert advice to the Cabinet Secretary for Economy, Energy and Welsh Language and senior Welsh Government officials on trade policy matters and helps to shape the Welsh Government position, with particular reference to the UK government's post-Brexit trade negotiations.
- ◆ We will continue to engage regularly across the policy areas of Welsh Government, and externally with a range of stakeholders including sector leaders, businesses, trade unions, civil society, public bodies such as Public Health Wales, and academia.





Thinking for the Long-Term: The importance of balancing short-term needs with the need to safeguard the ability to also meet long-term needs, especially where things done to meet short-term needs may have detrimental long-term effects.

What we ask of the UK government:

- ◆ To undertake comprehensive impact assessments before signing any trade agreement. The impact assessments should outline the potential impacts of a trade deal on the UK and Wales in the short, medium and long-term across all sectors.
- ◆ Once an agreement has been ratified, ensure that regular, thorough assessments of the economic, social and environmental impacts of trade agreements take place.

What we will do:

- ◆ Work with our partners and stakeholders, across a range of sectors, to identify the potential long-term impacts of a trade deal on businesses and citizens of Wales and make representations to the UK government.
- ◆ Continue to engage with our partners and stakeholders to monitor the impact of the trade agreement after ratification to ensure that it continues to benefit Wales and does not negatively impact on our well-being goals.



Prevention: How deploying resources to prevent problems occurring, or getting worse may contribute to meeting the body’s well-being objectives, or another body’s objectives.

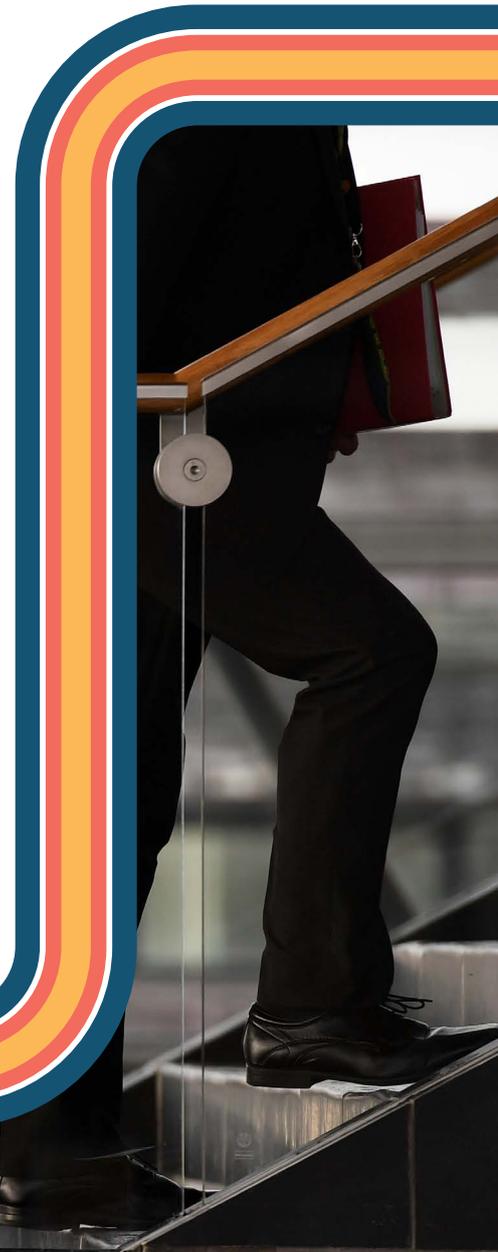


What we ask of the UK government:

- ◆ Engage widely with stakeholders, including devolved governments and civil society, to identify potential risks of trade agreements during the scoping and negotiating process.
- ◆ Effectively monitor the impact of new trade agreements to see how they compared with initial projections. Monitoring reports should be comprehensive, transparent and include stakeholder responses and parliamentary debate.
- ◆ To effectively use the committees established under the agreements to tackle any problems arising from the agreement – inviting contributions from devolved governments and relevant stakeholders when presenting evidence to the committees. The main purpose of committees is to oversee the implementation of trade agreements, which, in broad terms, involves monitoring compliance with the obligations outlined in the trade agreement; discussing further market access; reviewing and amending elements of the agreement to ensure it works efficiently; assessing the impact of the agreement on trade flows; and engaging with businesses to understand market challenges.

What we will do:

- ◆ Work with our stakeholders to identify potential risks that might have a bigger impact on certain regions or sectors of Wales (for example, agriculture) than in the rest of the UK.
- ◆ Work across the Welsh Government, and with our partners and external stakeholders, to contribute evidence from a Welsh perspective to committees established under the trade agreements.





The Future

Our trade policy will continue to be underpinned by our ambitions for a prosperous Wales, our vales, our wider commitments to sustainability and our legislative responsibilities through the Well-being of Future Generations Act.



Looking to the Future

We will continue to act as a responsible nation on the global stage; respecting and protecting human rights; taking action to respond to the global climate emergency and safeguarding our valued public services.

We will ensure that our values, as outlined in this document, are being heard and considered by the UK government throughout the whole process of negotiating a trade agreement, from scoping a potential agreement through to implementation. We continue to engage with the UK government to make the case that trade agreements should contain provisions to act as a platform for constructive engagement around the environment, consumer standards, workers' rights, human rights, health, and equality.

We will ensure that our exporters are prepared for new trading environments to enable them to take advantage of trading opportunities as a result of trade agreements. We will continue to support businesses in Wales to understand trading conditions, procedures and regulations in target export markets, including those where trade agreements are in place, as part of the delivery of our Export Action Plan for Wales.





Agenda Item 2.6

Ysgrifennydd y Cabinet dros yr Economi, Ynni a'r Gymraeg
Cabinet Secretary for Economy, Energy and Welsh Language



Llywodraeth Cymru
Welsh Government

Paul Davies MS Chair
Economy, Trade, and Rural Affairs Committee
SeneddEconomy@senedd.wales

10 July 2024

Dear Paul,

Thank you for your letter of 24 May 2024. I apologise for the late reply.

You asked a number of questions:

How are the Welsh Government and other organisations working proactively to ensure that Tata workers at risk of redundancy are aware of the support that is available?

Neath and Port Talbot Council has launched a new web page containing information on all the support available via [Tata Steel Transition Information Hub - Neath Port Talbot Council \(npt.gov.uk\)](https://npt.gov.uk). Working Wales and Neath and Port Talbot Council staff are now holding twice weekly sessions at the Tata Steel Social Club and information is also available at the Employability Hub based at Aberafan shopping centre. The Tata communications group has completed a new advice toolkit that will be distributed widely to staff and stakeholders over the coming weeks. The 'toolkit' will ensure that consistent messages about the support available receive wide publicity. Also, Welsh Government is working closely with unions who have been actively distributing information and guidance on the support available.

Are there any challenges in securing access to the workforce to highlight the support available to them?

Tata have displayed a range of materials and announcements on information boards and digital screens around the plants, information is also being forwarded by the Human Resource Department via payslips. Wales TUC has created a range of information assets that have been made available to staff at all plants. We need to ensure that we engage with the right people at the right time within the Tata workforce as individuals face very different circumstances and no redundancy notices have been issued.

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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.

Is the skills support for those at risk of redundancy being provided in a collaborative way, if not how can this be improved?

All support agencies have worked together from day one to ensure employees from Tata Steel receive impartial careers advice and guidance, financial advice, health and well-being support. Professional advice and guidance includes labour market and skills information so that workers make decisions about the skills recruiting employers are asking for and have access to a trusted mechanism that signposts them the most appropriate provision to meet their needs.

Were there any requirements attached to Welsh Government skills funding, for example that any certification for courses should be widely recognised outside of Tata?

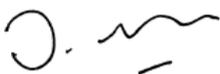
Training that took place during 2016-2019 was specifically designed around Tata's operational plans and was a mix of Tata-specific and accredited learning. At that time, Tata required that a flexible approach be adopted in terms of addressing skills needs and filling knowledge gaps. It was a key aim of the funding to provide employees with transferable skills which they could take elsewhere. The *Evaluation of Welsh Government Skills Support for Tata Steel* reported that in the 2016-2017 year, 96% of respondents considered that the training had provided them with transferable skills that they could take to other employers.

For some time now the Welsh Government has used accredited programmes, for instance through the additional funding that has been made available via the Personal Learning Account (PLA) programme and of course the certification that results from the achievement of an apprenticeship programme. When providers of learning have approached Welsh Government in order to offer more bespoke support for Tata they have been referred directly to Tata Steel, who can of course provide and pay for any training they deem relevant for their staff.

Will there be any requirements attached to future skills funding both for Tata and more widely that certification must be widely recognised?

We will continue to provide PLA, Apprenticeships and ReAct+ Programme as they are underpinned by labour market information and are designed to provide participants with qualifications, licences and skills for which employers are looking.

Yours sincerely,



Jeremy Miles AS/MS

Ysgrifennydd y Cabinet dros yr Economi, Ynni a'r Gymraeg
Cabinet Secretary for Economy, Energy and Welsh Language

Rt Hon Vaughan Gething MS

First Minister of Wales

Welsh Government

Jonathan Reynolds MP

Secretary of State for Business and Trade and

President of the Board of Trade

UK Government

Jo Stevens MP

Secretary of State for Wales

UK Government

18 July 2024

Dear Vaughan, Jonathan and Jo,

The future of Welsh steel

Congratulations Jo and Jonathan on your new appointments. To briefly introduce myself, I chair the Senedd's Economy, Trade and Rural Affairs Committee, the Senedd Committee which has been leading on the response to Tata's announcement and the future of Welsh steel. I am aware that it may take some time to establish Westminster Committees following the general election, and until that happens I am aware our Committee is the only Parliamentary Committee looking at this matter.

Since last September we have held a number of evidence sessions with the key players on the future of the steel industry. With a new UK Government in place, I would like to take the opportunity to set out the Committee's evidence-based position on the future of Welsh steel and the impact of Tata's proposed transition.

This is a very complex issue, and I have attempted to summarise a great deal of evidence received by the Committee. As a result, this letter is quite long so I have included an overview of our position and a list of our recommendations at the start.

Overview

Whilst the Committee recognises the need to ensure best value for public money we believe the UK and Welsh Governments must take a wider view than just looking at the issue in purely financial terms. We urge the UK and Welsh Governments to invest in a way that supports the best outcomes, including considering national need for steel and the needs of the workers, rather than backing the cheapest option.

The Committee continues to support the retention of Blast Furnace 4. We feel the blast furnace brings value to Wales and the UK as a sovereign asset and the good quality jobs it provides.

We must find a long term solution that works for everyone. It is not long since the Port Talbot steelworks faced a similar uncertain future, and it is not fair on the workers or their communities to go through the fear this uncertainty brings a third time.

We believe the Port Talbot plant has the potential to play an important role supporting the UK to maintain a primary steel-making capability, to produce a product that can be used to support decarbonisation efforts and to continue to provide good quality, productive jobs. It is vital that the UK and Welsh Governments work with partners including Tata and the trade unions to realise this potential, and to support the steelworkers, their families and their community.

Our recommendations to support these aims are as follows:

Recommendation 1: The UK Government should prioritise securing the continued operation of blast furnace 4 through the transition period in its negotiations with Tata.

Recommendation 2: The Welsh Government should urgently develop proposals in devolved areas such as skills and procurement that complements UK Government investment in Tata.

Recommendation 3: Once an agreement has been concluded with Tata, the UK Government should undertake a robust lessons learned exercise in relation to its investment at Port Talbot. It should publish the conclusions of this review.

Recommendation 4: The UK Government should prioritise securing wider investment in Tata's sites as part of its negotiations. Where it would provide a better solution, this should include considering whether to co-invest with steel producers in developing these investments as a shared UK-wide resource, prioritising locating these in Welsh steelmaking communities.

Recommendation 5: The UK Government should ensure that trade unions play a role in the remainder of its negotiations with Tata so that employers and unions are aware of its expectations. The UK

Government should also work with social partners to develop and publish principles for similar future negotiations.

Recommendation 6: The UK Government should prioritise developing plans to reduce electricity prices for the steel sector and other energy-intensive industries.

Recommendation 7: The UK Government should introduce measures to restrict scrap exports to countries with lower environmental standards, and ensure that high-quality UK scrap steel is used by domestic producers.

Recommendation 8: The Welsh and UK Governments should both consider setting procurement targets for use of domestically-produced steel in public sector infrastructure contracts. They should also explore how other European countries have used social and environmental procurement clauses to support their domestic steel industries, introducing these where appropriate.

Recommendation 9: The UK Government should address the concerns of the steel industry about the EU's Carbon Border Adjustment Mechanism (CBAM) and bring forward the introduction of a UK CBAM to 2026, ensuring it is carefully designed to meet the needs of the industry.

Recommendation 10: The UK and Welsh Governments should work with the Transition Board at pace to develop proposals to support redundant workers and the local community to recover from any job losses that take place. These should learn from good practice in the UK and beyond, and should include a focus on bridging the gap between any job losses and the longer-term possibilities presented by decarbonisation and floating offshore wind.

Keeping Blast Furnace 4, and securing the best deal with Tata

The Committee welcomes the new UK Government's early focus on this issue, and wishes you every success in your efforts to secure a deal that works for Tata, the workforce, and our steelmaking communities. It is absolutely vital for the workers, contractors, their families and the community that we find a resolution that works for now and for the long term.

The Committee has consistently called for blast furnace 4 to be retained through the transition at Port Talbot, and we remain convinced that this is the best route to a transition that works for everyone. As you will be aware, on 6 February the Senedd passed a unanimous resolution that there is a viable future for blast furnace steelmaking as part of a just transition to support the Welsh economy and protect a UK sovereign asset. You will also know that, on 4 June, the Senedd unanimously passed a resolution highlighting that retaining the capacity to produce primary steel is central to Wales' economic interests and our transition to net zero.

The Committee acknowledges the challenging financial position Tata is in, and accepts that losing £1 million a day is not sustainable for any business. We also understand the concerns Tata expressed to us in evidence about building a new electric arc furnace (EAF) while continuing to operate a blast

furnace, wanting to optimise the layout of the site, and the additional costs that would result from the approach set out in the multi-union plan.

The evidence we heard from the steel unions acknowledged and addressed these concerns. Alisdair McDiarmid from the Community union told us that a further £500 million investment from the UK Government would be required to deliver the multi-union plan. The unions' experts Syndex concludes that the multi-union plan would deliver positive earnings before interest, taxes, depreciation, and amortization (EBITDA) over the transition period, which Tata's management agrees with, although the multi-union plan would deliver a less positive financial return than Tata's proposals. Syndex also found that building a new electric arc furnace while maintaining blast furnace 4 is "complex but possible", and that, while safety concerns must be taken seriously, "from an engineering point of view a solution exists to build the EAF while the BOS is in operation".

We are clearly not experts in steelmaking and therefore cannot come to any conclusions on technical matters, but have sought to listen to all arguments made on the feasibility of the proposals advanced by Tata and the unions to inform our views. However, we are in a much better position to comment on the human and strategic costs of the transition, particularly given Wales's experience of large-scale job losses in the coal and steel sectors.

We believe that government should take a wider view than just looking at the bottom line, and that government investment should support the best outcome rather than the cheapest. We share Community's view that the overall human and long-term strategic costs of proceeding with Tata's proposals will be much higher than those resulting from the multi-union plan. Dr Dean Stroud of Cardiff University highlighted the impacts of large-scale redundancies, saying that they include "wide-scale generational unemployment, worklessness, high levels of economic inactivity, increased ill health, high levels of deprivation, and also the loss of skills from the region", all of which come at a considerable cost to the public purse.

The wider impacts of the proposals on steelmaking communities must be considered. Professor Dave Worsley of Swansea University told us that at least three additional jobs in the supply chain rely on each direct job at Tata's site in Port Talbot, and that once the wider community is considered, five jobs rely on each direct job. Analysis by Professor Calvin Jones of Cardiff University suggests that we could see annual wage losses of £200 million in Port Talbot as a result of Tata's plans.

Based on all of the evidence we have heard, we call on the UK Government to prioritise securing the continued operation of blast furnace 4 through the transition period in its negotiations with Tata.

The Welsh Government also has a part to play in securing a better deal. It must urgently work to understand how it can complement what the UK Government is able to offer to Tata in devolved areas such as skills and procurement. What the Welsh Government is able to offer should then be included as part of an overall package of combined investment from the two Governments.

Recommendation 1: The UK Government should prioritise securing the continued operation of blast furnace 4 through the transition period in its negotiations with Tata.

Recommendation 2: The Welsh Government should urgently develop proposals in devolved areas such as skills and procurement that complements UK Government investment in Tata.

A long term resolution

Any resolution must be for now and for the long term. The Committee welcomes the UK Government's commitment that job guarantees will form part of its discussions with Tata. As we were told by Unite, it is important any funding is accompanied by strong terms and conditions that will lead to good quality jobs being retained and a fair transition for the workers.

The Committee recognises that Tata has already had significant governmental support. Both the current situation and the crisis in 2016 have put workers, their families and steelmaking communities through significant stress. It is important that, following the sizable support that has been offered, Tata is in a position to continue operating the plant sustainably without another significant injection of public money in the future. It is also important that the deal made between the UK Government and Tata ensures that the steel used in floating offshore wind turbines in the Celtic Sea is made in Wales. We want to see an agreement that will allow their workers to continue to productively support the Welsh economy without the fear of redundancy around the corner.

Given the scale of UK Government investment and the controversy associated with the previous UK Government's plans, the Committee strongly believes that a robust lessons learned review must be undertaken once the future of the plant is secured. It is likely that we will see similar transitions across the UK and it is vital that those communities are treated fairly and supported well through the transition by their employers and relevant public bodies. The conclusions from this review should be published in a way that allows communities and sectors affected by their own transitions to learn from what worked and what did not.

Recommendation 3: Once an agreement has been concluded with Tata, the UK Government should undertake a robust lessons learned exercise in relation to its investment at Port Talbot. It should publish the conclusions of this review.

Wider investment in Tata's sites

The Committee has been encouraged by reports that negotiations have included a focus on future wider investment, and would urge all parties to proceed with this where a good case can be made.

Tata is open to further investment, and has said it will consider the case for a Direct Reduced Iron (DRI) plant if business conditions and Government investment are right. Ben Burggraaf of Net Zero Industry Wales told us that the decommissioned Baglan Bay power station, which has a direct connection to the natural gas transmission network, "should be large enough to support a 3 million

ton per annum DRI plant". We are aware of concerns, in particular from the Community union and Syndex, about whether there is a business case for Tata to invest in a DRI plant. However, Community and Professor Dave Worsley told us that there is a better case for a shared DRI facility that can be used by all UK steel producers. Given the infrastructure available in the Port Talbot area, we believe this makes it a good choice for the location of a shared DRI facility if this is the preferred option.

We also heard from Unite and Community about the potential for building a plate mill in Port Talbot, which we understand forms part of the ongoing negotiations. Alisdair McDiarmid highlighted the need for a plate mill in the UK. Peter Hughes from Unite highlighted the importance of a plate mill for making floating offshore wind turbines, saying that "you can actually make everything that's going out into the Irish sea in Port Talbot, built in Port Talbot, produced in Port Talbot, and manufacturing sites".

Recommendation 4: The UK Government should prioritise securing wider investment in Tata's sites as part of its negotiations. Where it would provide a better solution, this should include considering whether to co-invest with steel producers in developing these investments as a shared UK-wide resource, prioritising locating these in Welsh steelmaking communities.

Industrial relations

Throughout our work, we have heard significant concerns from the unions about their level of involvement in decision-making. This is encapsulated by Alisdair McDiarmid telling us that, "the way the discussions between Tata and the Government were conducted was unacceptable, with absolutely no trade union involvement at all". Charlotte Brumpton-Childs of the GMB highlighted that while details of the deal were "drip fed through the media", "we've had to piece it together before we had a proper meeting with the business". We expect to see greater union involvement in similar negotiations in the future, and have been encouraged to hear that the new Secretary of State for Business and Trade has met with both workers and unions in his first week in the role.

Over recent months, the Committee has been disappointed to hear that Tata has sought to undermine workers' rights through threatening to reduce the generosity of voluntary redundancy payments if industrial action was taken, although we are pleased to hear that Tata has now re-confirmed its commitment to offer an enhanced redundancy package during the current round of voluntary redundancies. We were also shocked by the tactics used by Tata in relation to the proposed industrial action by Unite members, which we felt placed unacceptable pressure on workers. However, we are pleased to hear that Tata and the unions are now back in negotiations with the UK Government on a better deal, and on a Memorandum of Understanding between the company and its workforce.

Recommendation 5: The UK Government should ensure that trade unions play a role in the remainder of its negotiations with Tata so that employers and unions are aware of its expectations. The UK Government should also work with social partners to develop and publish principles for similar future negotiations.

Industrial strategy

We note that the new UK Government has committed to developing an industrial strategy, and establishing an Industrial Strategy Council with representation from the nations and regions of the UK.

The absence of an industrial strategy was seen by unions as having contributed to the challenges faced by the steel industry, with Alisdair McDiarmid saying that the lack of a long-term approach had led to little progress in addressing the industry's key asks. Professor Vera Trappmann from Leeds University told us that acting earlier and having an industrial strategy that looks at decarbonisation would have been a better approach to dealing with the challenges at Port Talbot. This chimes with evidence we heard from Tata, who told us that for the steel industry to pick up, the UK needs to increase the contribution of manufacturing to the economy and that they would imagine a new industrial strategy is required.

The Committee believes that Welsh steel should be at the heart of any new industrial strategy. The Welsh and UK Governments must work together to achieve this and help support the future of Welsh steel production and the associated good quality jobs.

Supporting the Welsh steel industry going forward

EAF steelmaking will play a major role in decarbonising the steel industry not just in the UK, but across Europe. Experts raised a number of key issues with us that are critical to supporting the steel industry throughout its transition to EAF steelmaking, with widespread consensus between steel producers, unions and independent experts. We urge the UK and Welsh Governments to prioritise these issues as part of its work to place steel at the heart of an industrial strategy.

Energy prices

Analysis by UK Steel highlights that British steel producers pay more than twice as much for their electricity as competitors in France and Spain. UK Steel has said that, while the support provided by the British Industry Supercharger is welcome, other decisions made by the previous UK Government on electricity market reforms mean that current policy on electricity prices is “like giving with one hand, while taking with another”.

Celsa Steel said to us that the UK Government should work towards achieving parity with other European nations by reducing network charges and reforming the wholesale electricity market. They say 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”. Ben Burggraaf told us that competitors such as France and Germany agree longer-term power purchase agreements with energy intensive businesses such as steelmakers, which removes price volatility. He said that, as renewable energy deployment scales up in Wales, this might be a viable way to lower prices.

With the shift towards EAF steelmaking, prompt action to reduce the electricity prices paid by the steel sector will become even more important. The Committee calls on the UK Government to work with the sector to prioritise tackling this issue.

Recommendation 6: The UK Government should prioritise developing plans to reduce electricity prices for the steel sector and other energy-intensive industries.

Scrap steel controls

Tata told us that, of the over 10 million tonnes of scrap steel produced in the UK each year, 8 million tonnes is exported. They have said that the plentiful supply of scrap steel is one reason they chose to move to EAF steelmaking, however they expect there will be a lot of work to do to develop a domestic supply chain.

We heard that UK Government action is required to ensure Tata and other domestic producers have access to a sufficient supply of scrap steel sourced from the UK, particularly the high-quality scrap needed to make products that add the greatest value. Celsa told us that restricting the export of scrap steel to countries with lower environmental standards could help retain high-quality scrap within the UK, and that similar measures are being implemented in the EU. Alisdair McDiarmid and Professor Dave Worsley called for measures to protect scrap which can be used to make the high-quality steels used in Port Talbot, which will likely need to include legislation and export controls.

The move towards greater use of UK scrap steel by domestic producers presents economic and environmental opportunities. To make the most of these, we believe that action is required to restrict exports to countries with lower environmental standards, and to ensure that high-quality scrap is used by UK producers.

Recommendation 7: The UK Government should introduce measures to restrict scrap exports to countries with lower environmental standards, and ensure that high-quality UK scrap steel is used by domestic producers.

Public procurement

We heard from the unions that around 40 per cent of steel used in UK infrastructure projects comes from outside the UK. Alisdair McDiarmid told us that half of that could be made in the UK, and called for procurement targets and social and environmental clauses to be introduced, as is the case in France and Germany.

Both steel producers and unions have called for Government action in relation to procurement. Celsa said to us that the Welsh Government needs to leverage public procurement to favour domestically produced steel. One way it says this could be achieved is setting local content targets for public sector projects, especially those related to green infrastructure such as wind turbines and hydrogen

facilities. Tata has called for the UK Government to set targets for domestically-made steel in public projects, and to incentivise the private sector to source steel from domestic manufacturing supply chains.

Procurement can be a powerful lever for supporting local economies, and procurement of steel is no exception. However we are concerned that in half of the cases where public infrastructure projects use steel from outside the UK, products made in the UK could have been used. We call on the Welsh and UK Governments to take action to address this, and its potential causes.

Recommendation 8: The Welsh and UK Governments should both consider setting procurement targets for use of domestically-produced steel in public sector infrastructure contracts. They should also explore how other European countries have used social and environmental procurement clauses to support their domestic steel industries, introducing these where appropriate.

Carbon Border Adjustment Mechanism

The previous UK Government outlined plans to introduce a Carbon Border Adjustment Mechanism (CBAM) for emissions-intensive sectors of the economy from 2027. However, steel producers have called for the introduction of this to be brought forward to protect the UK from carbon-intensive steel imports, as the EU's CBAM will require EU importers to pay charges based on emission levels of emission-intensive products from 2026.

Celsa told us that doing this “ahead of the EU's timeline can protect the UK steel market”, and that mutual recognition with the EU's CBAM will prevent trade diversion and keep a level playing field for UK producers. Tata has called for the UK CBAM to be brought forward to 2026, and says it will need to be carefully designed to avoid undesirable outcomes. They say that, under current proposals which do not address the import of steel containing goods and competing materials, there is a “high risk that manufacturers will move their operations outside of the UK and EU and import carbon intensive finished goods into both markets”.

We support Welsh steel producers in calling for the introduction of the UK CBAM to be brought forward to align with the introduction of EU changes, to address the risk of potential carbon-intensive imports affecting them.

Recommendation 9: The UK Government should address the concerns of the steel industry about the EU Carbon Border Adjustment Mechanism (CBAM) and bring forward the introduction of a UK CBAM to 2026, ensuring it is carefully designed to meet the needs of the industry.

Future work of the Transition Board

Securing a just transition for the workforce is of critical importance. We welcome the prompt re-establishment of the Transition Board by the new Secretary of State for Wales, and that she has

commissioned a rapid assessment of what support can be offered immediately to workers and communities.

Alongside the funding allocated to the Transition Board, the previous UK Government's approach was to look at long-term investments such as floating offshore wind and the freeport. While we recognise the benefits of these investments, we are also acutely aware of the need to bridge the gap between any job losses and those long-term investments coming to fruition.

We were told by Dr Dean Stroud about the need to learn from the closure of the Ebbw Vale tinplate works, and the need to focus on creating jobs that meet the needs of the workforce, and retraining opportunities that reflect the reality of the local labour market.

We also heard that the Ruhr Valley in Germany is an example of a relatively successful industrial transition, with Dr Stroud telling us that upskilling workers prior to closure of the coalfields led to them being able to undertake skilled, value-added, high-waged work. Dr Stroud also highlighted the role played by social partnership in securing these outcomes.

We heard from Professor Vera Trappmann that short-term work allowances and transfer agencies have been particularly successful when deployed in Germany. While the Government paying workers' salaries is costly, she told us "the benefits are huge", as many of the effects of redundancy are prevented.

Recommendation 10: The UK and Welsh Governments should work with the Transition Board at pace to develop proposals to support redundant workers and the local community to recover from any job losses that take place. These should learn from good practice in the UK and beyond, and should include a focus on bridging the gap between any job losses and the longer-term possibilities presented by decarbonisation and floating offshore wind.

On behalf of the Committee, I wish you every success in securing the best possible deal that works for the company, its workforce, and steelmaking communities. I look forward to your response.

Yours sincerely,



Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English



UK Government
Llywodraeth y DU



Department for
Energy Security
& Net Zero



Department for
Business & Trade

Sarah Jones MP

Minister of State for Industry
Department for Energy Security &
Net Zero and Department for
Business and Trade

Rt Hon Jo Stevens MP

Secretary of State for Wales
Ysgrifennydd Gwladol Cymru

Paul Davies MS
Chair, Economy, Trade and Rural Affairs Committee
Welsh Parliament
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By email: seneddeconomy@senedd.wales

9 August 2024

Dear Paul,

Thank you for your letter, regarding the future of Welsh steel.

You raise that Port Talbot Steelworks and the wider region requires a long-term solution to deliver sustainably made steel. This Government believes that a better deal can be reached with Tata Steel to achieve this. Our manifesto committed £2.5 billion to rebuild the steel sector, on top of the £500 million already earmarked for Tata's Port Talbot steelworks. This funding will harness public and private investment to secure jobs and boost growth across the UK, and we will be working on future opportunities with the company.

As we engage with Tata Steel and the Trade Unions, we will reflect on your recommendations and provide further information in due course.

Under the chair of the Secretary of State for Wales, the Port Talbot Tata Steel Transition Board has now moved from discussion to delivery, following its first meeting under a new Government on 11 July. The Secretary of State has emphasised that the Transition Board's key aim must be to minimise the economic shock of Tata Steel UK's decision, while ensuring individuals and the supply chain are able to take advantage of future opportunities in and around Port Talbot.

We are pleased to see action from Tata Steel UK including commitment to an enhanced redundancy package and opening of an expression of interest process for voluntary

departures. In line with the Transition Board's developing actions to support reskilling of those affected, Tata Steel UK has begun work with Bridgend College to offer their workforce in Port Talbot the opportunity to convert skills gained into nationally recognised qualifications, opening the door to future employment.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'S. Jones', with a long horizontal flourish extending to the right.

Sarah Jones MP
Minister of State for Industry
Department for Energy Security &
Net Zero and Department for
Business and Trade

A handwritten signature in blue ink, appearing to be 'Jo Stevens', with a large, stylized initial 'J'.

Rt Hon Jo Stevens MP
Secretary of State for Wales
Ysgrifennydd Gwladol Cymru



Paul Davies MS
Chair Economy, Trade and Rural Affairs Committee

28 August 2024

Dear Paul,

I write in response to your letter dated 18 July 2024 to my predecessor, Vaughan Gething, MS.

The ETRA Committee's ten recommendations set out in your letter, included three requiring a response from Welsh Government, which I address in this letter.

Recommendation 2: *The Welsh Government should urgently develop proposals in devolved areas such as skills and procurement that complements UK Government investment in Tata.*

We are building strong working relationships with the UKG and look forward to playing a leading role in future steel sector investment discussions.

The Welsh Government is making available support through its employability and upskilling programmes, ReAct+ and Communities for Work+, which can provide support for training and mentoring to Tata and its supply chain for employees who wish to remain in the labour market.

The Welsh Government is committing a total of approximately £25 million around ReAct, Communities for Work, and Personal Learning Accounts programmes. We've also extended the eligibility for Personal Learning Accounts for Tata workers and those in the supply chain. We have invested £22.5m in our Personal Learning Account (PLA) programme during the last financial year, to help employed people upskill and reskill. Since March our colleges have reacted swiftly to support Tata and supply chain workers through the £2m Tata targeted intervention. The PLA Tata targeted intervention will continue in the 2024/25 academic year, to support Tata workers and those in the supply chain.

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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.

Business Wales provide support for individuals facing redundancy should they wish to consider self-employment or start their own business and can provide information, advice and guidance on starting a Business, as well as accessing business finance. Any business or individual affected is encouraged to contact the Business Wales helpline.

The Development Bank of Wales gives businesses in Wales a valuable support mechanism in critical periods of economic uncertainty. This is particularly relevant to businesses within Tata Steel UK's supply chain impacted by the transition.

We will continue to work with Tata Steel on their future investment proposals and ongoing skills requirements.

Recommendation 8: *The Welsh and UK Governments should both consider setting procurement targets for use of domestically produced steel in public sector infrastructure contracts. They should also explore how other European countries have used social and environmental procurement clauses to support their domestic steel industries, introducing these where appropriate.*

We continue to embed best practice in public procurement of steel wherever possible. Our Welsh Procurement Policy Note (WPPN) 'Sourcing steel in major construction and infrastructure projects in Wales' has been strengthened to further align with the UK Steel Charter, by encouraging projects in Wales to source and benefit from high quality British steel wherever it is legally compliant to do so. The WPPN is supported by the 2015 Well-being of Future Generations Act (Wales) well-being goals.

The WPPN sets out Pre-Procurement Planning for Welsh Public Sector (WPS) bodies within scope of the WPPN. All WPS bodies are encouraged to consider how and when steel inputs will be procured through the supply chain. To allow the steel sector to better prepare and cater for future needs and ensure the right capabilities are in place, advance notice of relevant programmes or individual projects are made public. In addition, early dialogue with the steel sector to help deliver better project outcomes and identify the potential for innovative solutions is promoted.

The Procurement Act 2023 will support the sourcing of steel in major construction and infrastructure projects in Wales through assessing tenders in a different way, i.e. procurers will no longer have to assess them on the basis of Most Economically Advantageous Tender but Most Advantageous Tender, thereby removing the 'economic' criteria. While cost to the public purse is important, unfairly undercutting domestic steel suppliers may result in job losses with significant economic and social impacts on affected communities. The Act will require certain opportunities to be published via pipeline notices. This will provide suppliers with a better understanding of future steel demand, which will allow the steel sector to better prepare and cater for future needs by ensuring that the right capabilities are in place.

Also, WPS bodies are asked to consider their design options and their implications for steel requirements, identifying specific steel products and volumes that will be required against the potential to source these from within the UK as well as holding 'meet the buyer' type events with industry to discuss their steel requirements.

The guidance within the WPPN for Supplier Selection specifies the WPS bodies should use pre-qualification questions to tackle the problem of steel dumping and non-compliance with acceptable standards of health, safety and welfare and environmental standards. The nature of steel production is such that compliance with social, labour and environmental law

outside of the UK and EU is a significant issue; this may be a useful differentiator when selecting suppliers.

In support of supply chain transparency, WPS bodies should require BES 6001 or equivalent as part of the qualification criteria for bidders and require Tier 1 contractors to submit supply chain plans when bidding for contracts which include how steel will be sourced and to record the origin of critical steel components to be used.

When awarding contracts, WPS bodies should not base their decisions to award contracts simply on lowest purchase price but should satisfy themselves that the price or cost calculations in all bids are based on an assessment of life cycle cost meeting the required legislation, quality and ethical standards specified.

While cost to the public purse is important, we recognise that abnormally low pricing could signal the contract is unlikely to be properly performed; unfairly undercutting domestic providers may result in job losses with significant economic and social impacts on affected communities. The provisions of PCR Regulations 68, Life-cycle costing and 69, Abnormally low tenders are designed to support WPS bodies to assess the best overall bid.

Recommendation 10: *The UK and Welsh Governments should work with the Transition Board at pace to develop proposals to support redundant workers and the local community to recover from any job losses that take place. These should learn from good practice in the UK and beyond and should include a focus on bridging the gap between any job losses and the longer-term possibilities presented by decarbonisation and floating offshore wind.*

The Welsh Government continues to work closely and collaboratively with the Transition Board. A Welsh Government senior official has been seconded to the Transition Board Programme Management Office to work alongside colleagues from UKG, NPTCC and TSUK.

In carrying out this work we call on the lessons learned from previous industrial events such as the Ford closure and SSI Redcar as well as labour market and skills information to assist in identifying the structure, processes and approach needed to best meet the needs of those affected.

The Board and its workstreams are now entering the delivery phase. The impetus to deliver was highlighted by the Rt Hon Jo Stevens, Secretary of State for Wales, Chair of the Transition Board on 15 August when she announced that £13.5m of Transition Board funding will go to deliver the first two Transition Board Delivery Plans.

This includes a Supply Chain Flexible Fund to provide a rapid response to support the 150-200 businesses expected to be impacted by changes at Tata Steel UK and a Job Matching, Skills and Outplacement Programme to provide access to essential re-training, job matching, in-work and other skills support for up to 2,800 TSUK workers and thousands impacted in the supply chain, as a result of TSUKs transition.

The Transition Board, through Neath Port Talbot Council, has developed a Local Economic Action Plan to support its work. LEAP identifies short, medium and longer-term job opportunities for employees affected within TSUK and within their wider supply chain.

Providing the bridge between redundancy and new opportunities will be key and something of which the Transition Board is fully cognisant. Courses are already underway to provide TSUK workers with recognised accreditation for the prior learning and skills they hold.

Fifty-eight businesses and organisations have signed pledges of support guaranteeing job interviews for those affected by the TSUK transition.

There will be opportunities to work on the reconstruction of the steelworks site as they transition from blast furnace to electric arc furnace technology as well as for the construction of the new EAF.

For the longer term there is a strong holistic vision for the transition of the South Wales region to net zero-based industry on new infrastructure. This is an exciting vision with broad stakeholder support and would transform the region for the long term. The establishment of a Celtic freeport and floating offshore wind projects in the Celtic Sea offer potential future job opportunities requiring skills held by TSUK and their supply chain contractors. Delivery of this needs to be a partnership between Welsh Government and the UK Government, who hold many of the critical policy levers.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'M. E. Morgan', followed by a horizontal line.

Eluned Morgan

Economy, Trade and Rural Affairs Committee
Senedd Cymru
Cardiff Bay
Cardiff
CF99 1SN

Thursday 18th July 2024

Dear Members of the Economy, Trade and Rural Affairs Committee,

We are writing to request that the Economy, Trade and Rural Affairs Committee consider conducting an inquiry into the use of cages for pheasants and partridges by the shooting industry in Wales.

The breeding and rearing of game birds take place on an industrialised scale in Wales as it is home to the largest game farm in the UK. The practice of confining pheasants and partridges used for breeding purposes in cages raises significant animal welfare concerns, as it prevents them from expressing natural behaviours and does not fulfil their needs, leading to severe distress, physical injury, and a high incidence of disease.

The Animal Welfare Plan for Wales 2021 to 2026 sets out four animal welfare commitments as part of the programme for Welsh Government. The fourth commitment is entitled: Restrict the use of cages for Farmed Animals. The action to carry out a scoping exercise into the cages currently used was due for completion in 2023 as part of the fourth commitment but as of the year 2 progress report, there has been no mention of examining the use of cages for game birds.

Given Wales's commitment to high animal welfare standards, it is imperative that the welfare of game birds is investigated and addressed.

We would envisage the Committee to consider scrutinising the following issues in an inquiry:

- An independent impact assessment of animal welfare for game birds kept in cages for breeding.
- The inadequacy of current legal protections and regulatory frameworks for game birds, including the frequency, criteria and outcomes of inspection.
- Cost-benefit analyses of a transition away from using raised battery units for game birds.
- Analysis of the public cost of agricultural subsidies given to businesses that farm game birds, as well as compensation provided to farms that experience outbreaks of Highly Pathogenic Avian Influenza.
- Wider environmental impacts of the industrialised nature of game bird farming.

We believe that a Senedd inquiry into this matter is in line with public interest since YouGov polling showed in 2021 that 72% of people in Wales oppose the use of cages for breeding game birds.



This is in addition to the Senedd Petitions Committee considering the petition to “Ban game bird cages” in February 2022, which resulted in correspondence with the then Minister for Rural Affairs, Lesley Griffiths MS. There has been no further update on progress as per the year 2 Animal Welfare Plan progress report despite a firm commitment to restrict the use of cages for farmed animals.

We kindly request the Committee to include caged breeding of game birds in its Forward Work Programme.

We would also welcome the opportunity to provide additional information, evidence, and testimony to support this inquiry.

We look forward to hearing a positive response and the opportunity to collaborate on improving the welfare of farmed animals in Wales.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Fiona Pereira".

Fiona Pereira
Campaign Manager
Animal Aid



A handwritten signature in black ink, appearing to read "Shahinoor Alom".

Shahinoor Alom
Public Affairs (Wales) Officer
League Against Cruel Sports



Replies can be made via email to:

fiona@animalaid.org.uk

shahinooralom@league.org.uk

Fiona Pereira
Campaign Manager
Animal Aid

Shahinoor Alom
Public Affairs (Wales) Officer
League Against Cruel Sports

23 July 2024

Dear Fiona and Shahinoor,

Caged game birds

Thank you for your letter regarding caged game birds. I will circulate it to Members and include it as a paper to note for our next meeting, which is on the 18 September. The Committee has a full work programme scheduled until the end of the year. Members will decide on a work programme for the spring term towards the beginning of the autumn term, as part of this we will consider your proposal.

Thank you again for your interest in the Committee's work.

Kind regards,



Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English

Catherine Smith
Chair
Hybu Cig Cymru

18 July 2024

Dear Catherine,

Hybu Cig Cymru culture and operations

I note reports in the media that Hybu Cig Cymru has concluded its disciplinary process regarding the former Chief Executive. You will be aware of concerns raised in the Senedd that the industry is losing faith in HCC. Given the importance of the Red Meat Industry to our rural communities and our wider economy, it is imperative HCC maintains the confidence of the industry and works closely with producers.

Now that the disciplinary process is concluded, please can you let me know what steps HCC is taking to support a healthy culture within the organisation and to ensure it has the confidence of the industry going forwards.

I have copied this letter to the Cabinet Secretary for Climate Change and Rural Affairs. I have also copied this letter to Llyr Gruffydd MS and James Evans MS due to their interest in the issue.

I look forward to receiving your response.

Kind regards,



Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English

CC: Huw Irranca-Davies MS, Cabinet Secretary for Climate Change and Rural Affairs, Welsh Government

Llyr Gruffydd MS

James Evans MS

Ein cyf/Our ref: MA/HIDCC/5875/24
Paul.Davies@senedd.wales

22 July 2024

Dear Paul,

I am writing to inform you that, together with the First Minister, I will today publish **[Food Matters: Wales](#)**. This will be available on the Welsh Government website.

In May 2023, my predecessor committed to publish a document setting out food policies across Welsh Government and how they align against overarching objectives. The publication of Food Matters: Wales fulfils the commitments to the ETRAC recommendations and to the Senedd.

Food Matters: Wales sets policies in the context of the Welsh Government's collective strategic agenda and how they relate to the well-being objectives in the Programme for Government 2021-26. The well-being objectives indicate how we can advance the goals of the Well-being of Future Generations (Wales) Act 2015.

Food Matters: Wales also explains how we develop and deliver policy through adopting the five ways of working.

This document aligns with the focus on food in the Future Generations Commissioner's seven-year strategy, Cymru Can. The diversity of food related policies and how they are developed and delivered, highlights the importance of joined up, collaborative working between Government and our many stakeholders. I have been clear that I am keen to continue listening to and working with a diverse range of interested parties on the best way forward for food matters in Wales. Advancing a strategic agenda for food depends on our collective focus and action towards the development of a sustainable food policy for Wales.

Please find a pdf copy of Food Matters: Wales enclosed. I intend to keep the document current, updating as required.

Yours Sincerely,



Huw Irranca-Davies AS/MS

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

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

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Gohebiaeth.Huw.Irranca-Davies@llyw.cymru
Correspondence.Huw.Irranca-Davies@gov.wales

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

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



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MA/HIDCC/5192/24

Paul Davies MS
Chair
Economy, Trade and Rural Affairs Committee
SeneddEconomy@senedd.wales

31 July 2024

Dear Paul,

I writing to inform you of the appointment of Dr Susannah Bolton as independent external chair to oversee the statutory review of the Water Resources (Control of Agricultural Pollution) (Wales) Regulations 2021.

You will be aware the Water Resources (Control of Agricultural Pollution) (Wales) Regulations 2021 were introduced in April 2021 and set out an all-Wales approach to reducing the detrimental impacts of pollution from agricultural activities. Implementation has been phased-in over a four-year period and the final set of measures will come into force by the end of the year. A 12-month Enhanced Nutrient Management Approach was introduced for the 2024 calendar year.

At least every four years, the effectiveness of the measures imposed by the Regulations as a means of reducing or preventing water pollution from agricultural sources must be reviewed and, if necessary, revised. Preparatory work for the review has been undertaken and the review, which will be overseen by Dr Bolton, will provide a prime opportunity to take stock and to listen further to the wide range of views on the effectiveness of the Regulations. As part of this, we will continue to engage with stakeholders, including on the alternative measures proposals, in a true spirit of partnership.

Dr Bolton is Vice Principal for Enterprise and Knowledge Exchange for Scotland's Rural College, supporting the development of mission-led approaches to address the challenges facing food production and the natural economy. Until December 2021, she was Research Director for the Agriculture and Horticulture Development Board (AHDB), responsible for a programme of applied research on behalf of farmers and processors across the arable, horticulture, ruminant and pork sectors of the UK.

Prior to that, Dr Bolton was Knowledge Exchange Director and oversaw the development of the AHDB Farm Excellence Platform, a farmer network of over 70 farm businesses,

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Correspondence.Huw.Irranca-Davies@gov.wales

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

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

delivering knowledge exchange, peer to peer learning and benchmarking. She has previous experience in a Welsh context engaging in cross border work in relation to the Wye catchment supporting decision making tools for farmers to use to help address nutrient losses. She has a PhD in Tropical Agroforestry and spent 3 years working with the research provider EMBRAPA in North East Brazil, following which she was responsible for international relations and external communications at Rothamsted Research.

I attach great importance to this review and I am very grateful to Dr Bolton for taking on the role of independent chair. A final report and recommendations from the review to Welsh Ministers are expected by the end of March 2025, which I am sure will be of interest to members of the committee.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Huw Irranca-Davies', with a stylized flourish at the end.

Huw Irranca-Davies AS

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

Economy, Trade, and Rural Affairs Committee

Senedd Cymru

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The Rt Hon Bridget Phillipson MP
Secretary of State for Education
UK Government

1 August 2024

Dear Bridget,

Apprenticeship Levy reform

I am chair of the Senedd's Economy, Trade and Rural Affairs Committee. I was interested to hear in the King's Speech that the UK Government intends to reform the Apprenticeship Levy. I also note from your joint [statement](#) with the Prime Minister that Skills England will have a large role to play in the new Growth and Skills Levy.

The Apprenticeship Levy is a matter of interest to the Committee. On 18 January, Vaughan Gething MS, who was at the time Welsh Minister with responsibility for apprenticeships, [told our Committee](#) "the Levy doesn't deliver for Wales." He also called for a reformed Levy which would be more transparent.

I am interested in your plans for reform and the impact they may have on businesses and apprentices in Wales. Please could you let me know:

- Any detail you can share on the reform plans at this point, particularly anything around your thinking on how the proposed changes will affect Wales; and
- What role you anticipate the Welsh Government will play in this reform process.

I look forward to hearing from you and following the progress of Apprenticeship Levy reform.



I have copied this letter to Jo Stevens MP, Secretary of State for Wales, and Jack Sargeant MS, Minister for Social Partnership, for their information.

Kind regards,

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

Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English



2024-0024626

**The Rt Hon Baroness Jacqui Smith
Minister for Skills**

Sanctuary Buildings 20 Great Smith Street Westminster London SW1P 3BT
tel: 0370 000 2288 www.education.gov.uk/contactus/dfe

Paul Davies MS
Chair, Economy, Trade and Rural Affairs Committee
Senedd Cymru
By email: seneddeconomy@senedd.wales

22 August 2024

Dear Mr Davies,

Thank you for your correspondence of 1 August, addressed to the Secretary of State, regarding the Apprenticeship Levy. I am replying as the minister responsible for this policy area.

Thank you for enquiring about our plans to reform the Apprenticeships Levy into a more flexible Growth and Skills Levy and the implications that this will have for Wales. You will appreciate that, as education, training and skills is a devolved matter, skills policy in Wales is the responsibility of the Welsh Government.

When designing how the Growth and Skills Levy will operate in England, we will engage the devolved nations on the impact of the changes. I can assure you that we will share further detail with the Welsh Government as soon as we are able to do so.

Thank you for writing to me. I look forward to working closely with the Welsh Government going forward.

Yours sincerely,

**The Rt Hon Baroness Jacqui Smith
Minister for Skills**

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

9 August 2024

Dear Huw,

Sustainable Farming Scheme – feedback from stakeholders at the Royal Welsh Show

During the Committee's visit to the Royal Welsh Show stakeholders raised concerns regarding the outputs of the Sustainable Farming Scheme (SFS) Stakeholder Working Groups. For example, we heard concerns around the new entrants working group that initially minutes were circulated following meetings however this trailed off and no final recommendations or report were agreed or published. Feedback was that members of the group were understandably disappointed.

Building on the assurances sought in recommendations one and two in the Committee's July report on the SFS, I would also like to urge you to publish a note from each Stakeholder Working Group meeting and an overall report covering the findings from each group. I am sure stakeholders would welcome this output and it would certainly aid in transparency and help those following the development of the SFS to understand the process.

We also heard concerns regarding the operation of the Carbon Sequestration Evidence Review Panel. Stakeholders suggested there were some issues regarding agreeing which experts could be brought in and we also heard the timeline for producing evidence was causing some stakeholders issues. Please can you share your views on the progress of this group, and any actions you may take to rectify the issues we understand it is facing.

I look forward to hearing from you on these important matters.

I have copied this letter to Llyr Gruffydd MS in his capacity as Chair of the Climate Change, Environment, and Infrastructure Committee.

Kind regards,

A handwritten signature in black ink that reads "Paul Davies". The signature is written in a cursive style with a large initial 'P' and a long, sweeping tail on the 's'.

Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English

Rt Hon Jonathan Reynolds MP
Secretary of State for Business and Trade
Department for Business and Trade
UK Government

Rt Hon Ed Miliband MP
Secretary of State for Energy Security and Net Zero
Department for Energy Security and Net Zero
UK Government

12 August 2024

Dear Jonathan and Ed,

The Green Economy

The Senedd's Economy, Trade and Rural Affairs Committee has been holding an [inquiry into the green economy](#). The Committee has been looking at how the Welsh Government can maximise opportunities presented by the green economy, any barriers that Wales currently faces, and how to ensure we have the skills in Wales to support transition to a green economy. This includes looking at how the Welsh Government can work with partners to realise the potential of the green economy, and what support workers and employers will need as part of a just transition.

I note the new UK Government has made many commitments related to green economy initiatives such as the National Wealth Fund, the establishment of Great British Energy and the wider support for wind power including floating offshore wind. As part of this inquiry I would be very interested in your early thoughts on the impact of these commitments on Wales and how you are intending to work with the Welsh Government to support both the green economy here in Wales and a just transition.

I should note that the Committee is undertaking specific work into the Future of Welsh Steel which includes looking at the proposed closure of the remaining blast furnace in Port Talbot, Tata's transition to electric arc furnace production and support the affected workers, their families and communities may need through this transition. We are currently in discussions with the Secretary of State for Wales to find an appropriate date for her to give evidence to the Committee as part of this work.

I would be grateful if you could send me your views on this issue by 11 September as this will allow us time to consider your response and incorporate it into the report we are hoping to issue in the autumn. I look forward to hearing from you.

I have sent a copy of this letter to Jo Stevens MP, Secretary of State for Wales, for her information.

Kind regards,



Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English

CC: Jo Stevens MP, Secretary of State for Wales

Dan Labbad
Chief Executive
The Crown Estate

12 August 2024

Dear Dan,

The Green Economy

The Senedd's Economy, Trade and Rural Affairs Committee has been holding an [inquiry into the green economy](#). The Committee has been looking at how the Welsh Government can maximise opportunities presented by the green economy, any barriers that Wales currently faces, and how to ensure we have the skills in Wales to support transition to a green economy. This includes looking at how the Welsh Government can work with partners to realise the potential of the green economy and what support workers and employers will need as part of a just transition.

As part of this the Committee would be keen to hear an update on progress around Floating Offshore Wind Leasing Round 5 and the Supply Chain Accelerator. The Committee would also be interested to understand what discussions the Crown Estate has had with the UK Government in relation to the commitment to unlock a further 12GW of floating offshore wind capacity in the Celtic Sea. We would also be keen to hear any other considerations you are making that might support the green economy in Wales.

I would be grateful if you could send me your views on this issue by 11 September as this will allow us time to consider your response and incorporate it into the report we are hoping to issue in the autumn. I look forward to hearing from you.

Kind regards,

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

Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English





Welsh Government response

Economy, Trade and Rural Affairs Committee's inquiry into Farming Connect report

As Cabinet Secretary with accountability for the performance and delivery for Farming Connect, I welcome the Economy, Trade and Rural Affairs Committee's inquiry into the Knowledge Transfer Programme.

I thank the Committee for undertaking this inquiry as laid out in its report which was published on 27 June 2024.

This document sets out the Welsh Government's response to the report's 6 conclusions and 1 recommendation.

Huw Irranca-Davies AS/MS

Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion Gwledig

Cabinet Secretary for Climate Change & Rural Affairs

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1. Communicating future mission and role

Within this section, the ETRA Committee focused on how Farming Connect was supporting transition to the Sustainable Farming Scheme (SFS); funding; new entrants; and the use of demonstration farms.

The Committee made one conclusion and one recommendation within this section.

Recommendation 1

The Welsh Government should set out how it will better promote Farming Connect's role to support farmers in understanding how they can achieve the Sustainable Land Management objectives of the SFS. This should include considering stakeholders' suggestion to use demonstration or 'pilot' farms as part of Farming Connect's work.

Welsh Government Response: **Accept in principle**

1. The current Farming Connect contract was tendered in autumn 2022. The specification included several Welsh Government policies, including the Sustainable Land Management objectives as set out in the Agriculture Act 2023 and Sustainable Farming Scheme (SFS) objectives as they were known at the time (i.e. pre-consultation). As part of the procurement exercise Suppliers were asked to outline how they would deliver a Knowledge Transfer Programme (Farming Connect or "the Programme") to meet all policies and objectives.
2. The Programme has been mapped against the above. Each delivery campaign is assessed against its ability to promote a SLM and/or SFS objective, and how the intervention can improve a farmer's understanding.
3. In addition to setting out key Welsh Government policies, SLM and SFS objectives, the specification also included several requirements, i.e. specific deliverables which successful Suppliers had to deliver during the contract period. One of these requirements was the establishment of a network of demonstration Farms.
4. Known within the Programme as "**Our Farms**", the well-established network builds on the success of previous contracts.
5. The Our Farms network, with support from sector specific industry experts, have been trialling and implementing more efficient, sustainable and profitable ways of managing a farming business.

- 6.** The network includes 220 farms across Wales who are involved in different types of on-farm trials and projects focusing on innovation and new technologies to help them and other Welsh farms reach net zero by 2050, and to build both resilience and sustainability amid a changing climate.
- 7.** Across the 220 farms, the Programme has delivered 94 sustainable land management projects, with results and best practice shared, discussed and demonstrated during open days, case studies and publications to assist in the adoption and application of new innovations and best practice.
- 8.** The existence of an already well established demo network within the Programme is the reason why I have accepted the Committee's recommendation in principle.

Conclusion 1

The suggestion that Farming Connect is disengaged from the Welsh Government's policy goals and that communication between the two organisations is weak is concerning, particularly during this important transition period. There must be absolute clarity on what the new Farming Connect contract is intended to deliver and why, and the programme clearly needs to be better promoted.

- 9.** Farming Connect has a robust governance structure at its core. The structure includes a Programme Board ("the Board") chaired independently of Welsh Government, and membership from key farming and environmental organisations - both farming unions are represented along with farmers from the Farming Connect Farmer Steering Group, representation from the Horticulture sector, Agricultural Colleges, HCC, AHDB, YFC Wales, the Royal Welsh Agricultural Society and the Agriculture Industry Climate Change Forum. There is also representation at Welsh Government Deputy Director level from appropriate Climate Change and Rural Affairs Divisions.
- 10.** The Board provides overarching guidance and direction for the Programme whilst bringing together expertise from across the sectors and identifying and proactively promoting the research, knowledge and information delivered to meet the needs of the industry.
- 11.** Reporting to the Programme Board is the Policy Delivery Group (PDG). PDG is an internal Group with representation from across the Climate Change and Rural Affairs portfolio i.e. those that have contributed key Policy

objectives for inclusion in the contract specification. PDG, in consultation with the Board informs delivery.

- 12.** The Governance Structure ensures both industry and Welsh Government has an equal say in identifying the priorities under each of the Programme themes; Business, Land and Livestock, and agreeing the focus for key interventions included within the Programme.

2. Skills and expertise requirements

Within this section, the ETRA Committee focused on how Farming Connect used industry relevant research, the focus of intervention and integration with Forestry and woodland management.

The Committee made two conclusions within this section.

Conclusion 2

Although the SFS proposals are still in development, evidence from stakeholders shows some significant gaps in the current programme to help transition to the SFS, and support farmers with achieving the SLM objectives. There is certainly scope for much greater involvement of environmental NGOs and specialist expertise, including ecologists, biodiversity and horticulture experts and foresters, and securing this expertise must be prioritised during and after transition to the SFS. The role of farmers themselves as mentors and experts must be fully explored. Consideration needs to be given to how specialist information is shared with those managing the land including the scope for developing an information hub of resources that can clearly signpost to the latest up-to-date scientific evidence and advice.

- 13.** As set out previously in this response, the contract specification included several Welsh Government policies, including the Sustainable Land Management objectives and SFS objectives as they were known at the time (i.e. pre-consultation).
- 14.** The Programme has been mapped against the above with minimal gaps. Each delivery campaign is assessed against its ability to promote a SLM and/or SFS objective, and how the intervention can improve a farmer's understanding of both.
- 15.** To address the SLM/SFS objectives, the current Programme has also seen the introduction of new technical advice categories within the Farming Connect Advisory Service, including specific environmental categories such as agri-environmental, ecosystems services & biodiversity; Carbon advice; as well as timber advice, horticulture advice and organic production advice. The Programme has access to **486 advisors across all categories**.
- 16.** To date Farming Connect has supported over **10,880 instances of advice, 6815 from the specific environmental categories**.
- 17.** The Farming Connect Mentoring Programme provides farmers with access to industry leaders/innovators looking for tailored guidance and advice from their peers. Promoted online, direct communication with registered

businesses, at specific events and by Farming Connect Development Officers, the Mentors are able to share practical knowledge and expertise, giving support and guidance on their relevant topic.

- 18.** The Programme has also seen the introduction of new Mentors with expertise in Agroforestry, Conservation grazing, Grassland Management, Regenerative Farming, Water Quality, and Woodland Management.
- 19.** With a directory of **over 90 Mentors**, most full-time farmers, 'been there, done that' they develop relationships based on mutual trust and respect.
- 20.** To date **406 farmers** have secured access to the Mentoring programme thus far, **totalling 2499 hours**.
- 21.** The Programme also includes a Knowledge Exchange (KE) Hub, providing an interface between academics, advisory professionals, and farmers across Wales. The Hub translates the latest UK-wide and appropriate global research findings, re-purposing the scientific papers and practical know how to deliver accessible knowledge to farmers.

Conclusion 3

Evidence of limited inclusion of the forestry sector is concerning, particularly in light of the SLM objectives in the Agriculture (Wales) Act 2023 and the requirements on active farmers set out in the SFS proposals. Farming Connect must be much more inclusive of forestry and woodland management expertise. It must involve that sector as a third party in the development of training and support services and opportunities for continuous professional development for those managing Welsh agricultural land.

- 22.** The current Programme was established to support farmers only; it was never intended to provide support to the forestry industry. The decision was taken to avoid any duplication with Focus on Forestry First (FFF). Jointly funded by the Rural Development Programme and Welsh Government, FFF was established to raise the skills and competence of the trees and timber sector, working with businesses to identify their current and future training needs to support the delivery of Government Policy; the scheme ended in June 2023.
- 23.** Whilst the Programme doesn't support forestry businesses for the reasons set out above, interventions delivered through Farming Connect support farmers in all financial aspects of managing profitable woodlands, whether

they are considering woodland establishment, woodland management or are interested in developing their woodland business.

- 24.** For example, all the demonstration farms have had a woodland assessment to provide a baseline data of current hedgerow and woodland conditions, identifying opportunities to improve environmental performance of the farm business through woodland creation.
- 25.** Farming Connect Masterclasses showcase the opportunities and benefits trees offer on farm by incorporating trees into the farm landscape as multi-pronged approach to decarbonisation; carbon sequestration; improving soil health, water and air quality and shelter for livestock. Agroforestry has been promoted as an example of the benefits trees serve in meeting these objectives in a way that works for the farm business.
- 26.** The Farming Connect Advisory Service includes several “woodland” related technical categories including woodland management; diversification & added value; and timber processing & added value.
- 27.** The Programme has access to **12 woodland specialists**.
- 28.** Launched on 5 July, the Rural Affairs Dynamic Purchasing System (DPS) is a procurement framework to which suppliers can apply under different categories. The intention is to include as many “suppliers” as possible to the DPS to ensure Welsh Government has access to the right expertise to deliver future support interventions, including environmental NGOs, ecologists, biodiversity and horticulture and forestry experts. Once they have joined, they are then eligible for any call-offs Welsh Government may publish using the DPS. It is our intention that all procured activity delivered by the Rural Affairs Directorate will use the DPS.
- 29.** The DPS will be particularly beneficial for the ongoing development of SFS, shortening the time needed to deliver procurements and allowing for a co-ordinated approach.

3. Eligibility and Access

Within this section, the ETRA Committee focused on the eligibility criteria for the current contract; difficulties accessing support online and access to Welsh medium services.

The Committee made one conclusion within this section.

Conclusion 4

Support for students and agricultural workers new to the industry is vital and prioritising this must form part of the new contract. Access and eligibility to Farming Connect needs to be reviewed urgently with a view to ensuring better access for new entrants and other groups currently excluded, including students. The Welsh Government needs to consider the needs of smallholders and horticulturalists in commissioning future services. There must be adequate provision of support services in the medium of Welsh, and perennial problems of digital exclusion must be prioritised. Engagement with agricultural colleges and other institutions must be a focus of the next Farming Connect programme, as well as building links with schools to promote the industry and the opportunities on offer.

- 30.** Whilst the Programme doesn't provide support for students specifically, the eligibility criteria does include Business partners, immediate family members (spouses/partners/sons/daughters) and employees on PAYE, all of which could also be students.
- 31.** Delivery of the Farming Connect Lifelong Learning & Development Programme is sub-contracted to several agricultural colleges across Wales with some able to provide students with three fully funded courses each as part of their Further Education College course.
- 32.** Farming Connect also makes the most relevant e-learning courses available to students and school children via "Hwb" free of charge.
- 33.** "Start to Farm" is a targeted package of support tailored to new entrants wanting to establish their own business or seeking a joint venture opportunity. The package includes guidance, mentoring, business, legal and financial advice to help meet set goals.
- 34.** Farming Connect provides a "matching service" or joint opportunities platform (JOP), matching established landowners wanting to step back or exit the industry with individuals wanting to gain a foothold in a farming business.

- 35.** Start to Farm provides a pathway of support to help both parties throughout the process, from finding out more about the initiative, supporting personal development, the search for a potential business partner, to helping establish a joint venture.
- 36.** Farming Connect also provides succession planning advice; support to start what can be a challenging conversation. Support includes, professional business, legal and financial advice as well as specialist facilitation.
- 37.** The aim is to encourage mobility within the industry whilst safeguarding the future of farm businesses.
- 38.** The first year of the current Programme has seen **398 individuals participate in Start to Farm (324 seekers and 74 providers)**.
- 39.** Both contractors are obligated to recognise and support the aims of Cymraeg 2050. Mentera (formerly Menter a Busnes) operates extensively through the medium of Welsh. 97% of their workforce are first language Welsh speakers, ensuring that all aspects of delivery is carried out in either Welsh or English depending on the customers preference.
- 40.** The Programme also ensures that content, both written and digital is provided in Welsh, and meets the Welsh Language Standards.
- 41.** Dedicated support is available on a regional basis, with Development Officers available to guide customers through the Programme, enabling customers to access the most relevant support provisions for their business. This includes support to navigate the online elements of the programme; Advisors and Training Providers also provide this support to customers.
- 42.** Through the Lifelong Learning and Development programme customers can also access a number of Information and Communication Technology courses for varying skills levels such as Making Tax Digital, Email Marketing, Social Media and Using Digital Tools.
- 43.** The Programme also works with customers in need of digital support including basic digital skills, access to a device and connectivity to identify places of support.

4. The Contract and Programme Structure

Within this section, the ETRA Committee focused on the length of the contract and evaluation of the Programme.

The Committee made one conclusion within this section.

Conclusion 5

Following EU-exit, some of the former mechanisms for scrutiny of agricultural support payments and services are no longer in place. This makes it even more important to have robust mechanisms for scrutiny of the public funds spent on supporting the agricultural industry, including the value for money and effectiveness of Farming Connect services. The Welsh Government should set out clearly how it intends to guarantee this accountability, and the Committee will then also need to consider its own scrutiny role. The Welsh Government should also respond to the matter of how the farming community, environmental NGOs, and all those active in the rural economy, are given a forum to express their views about farm advisory services, and to feed into future policy development.

- 44.** The Farming Connect Programme Board mentioned previously has several responsibilities. Aside from ensuring delivery meets the need of industry, advising on the suitability of the proposed delivery plans and campaigns and whether they provide farmers with the support needed to transition and deliver the proposed Sustainable Farming Scheme (SFS) requirements, the Board also identifies and monitors the key measurable outcomes and impact of the Programme.
- 45.** In addition to scrutiny by the Board, each Programme has been independently evaluated. As the previous Programme ran for over 7 years there was a mid-term evaluation completed in 2021 with a final evaluation completed earlier this year. The report, completed by Miller Research will be available shortly.
- 46.** Each evaluation is used to inform the next Programme, building on the success of interventions that have come before and removing those that haven't worked. For example, in 2019, Farming Connect underwent a refresh with the aim of making the Programme more accessible and outcome focused and to improve the customer journey. It included several key changes in relation to implementation, taking on board feedback from phase one of the interim evaluation of the KT&I Programme, as well as wider feedback from industry and internal discussions between the Welsh Government, and Suppliers.

- 47.** The Welsh Government recognises the value of engagement with stakeholders to maximise the opportunities for rural growth. We are actively engaged with a range of stakeholders on the ongoing development of the Sustainable Farming Scheme, and this will also be used to inform the development of the next Farming Connect offer.
- 48.** The Rural Development Board was directly linked with the EU Rural Development Programme, which has now ended. Given we are now delivering rural investment schemes, and will introduce the SFS Preparatory Phase next year, the nature of support for the sector has changed post-RDP.
- 49.** My commitment to engagement recognises that we will require appropriate governance around delivery of the SFS and I'm expecting further advice on this from officials as the programme of work is created.

5. Supporting mental health

Within this section, the ETRA Committee focused on the provision of mental health.

The Committee made one conclusion within this section.

Conclusion 6

Farming Connect has an important role in signposting to mental health support. Particularly in light of high levels of anxiety and disquiet in the sector about the challenges farmers face, and the uncertainty of the transition period the industry is in, the Welsh Government should ensure that there is a robust evaluation of whether Farming Connect services are sufficiently geared towards supporting mental health and reducing pressure rather than adding to it in any way. As far as possible within its remit, Farming Connect must identify and address the issues that are causing farmers the most anxiety and stress. Consideration should be given to how it can 'add value' to the existing specialist support services available for farmers and provide practical solutions to tackling the main drivers of stress. Recognising how much has changed for the sector since the last formal evaluation in 2021, the Welsh Government should also consider whether some independent evaluation and input would be helpful in achieving this important goal.

- 50.** I agree with the Committee's findings that Farming Connect should not replicate existing mental health provision. We are fortunate in Wales to have several support organisations delivering excellent services to the farming industry.
- 51.** I am keenly aware farmers continue to face many barriers including uncertainty, isolation and loneliness which can have a detrimental impact on mental well-being, and this is of great concern to me and the Welsh Government.
- 52.** The Welsh Government supports a number of important activities to aid mental health in rural communities. One such activity is the Wales Farm Support Group which brings together farming charities, to share knowledge and expertise providing a strong coordinated position on mental health support for the agriculture industry.
- 53.** The DPJ Foundation has been awarded a Bereavement Support Grant of £52,135 for the three-year period between 2021-24, to improve the provision of bereavement support to the agricultural community, with a 12-month extension until March 2025 agreed, which includes additional funding of £15,406.74.

- 54.** Alongside this, we are also working on a new 10-year Mental Health and Wellbeing Strategy, which aims to promote, support and empower people to improve their mental health and wellbeing, and be free from stigma and discrimination. Both strategies recognise the mental health needs of farmers and those working in agriculture.
- 55.** Also available to the rural community and farmers is the NHS “111 press 2”, a national phone line for people who require urgent mental health support. Available since November 2022, the Service provides an assessment of needs and telephoned based intervention to reduce distress. Where appropriate individuals can be referred to mental health services, given self-care advice or signposted to other support.
- 56.** However, it’s also important that we do what we can to reduce the pressure on farmers. That is why I am so pleased that the mental health charity, the DPJ Foundation has accepted my invitation to represent the farming charities on the new Sustainable Farming Scheme Ministerial Roundtable.

Eluned Morgan MS
First Minister
Ken Skates
Cabinet Secretary for the Economy, Transport
and North Wales
Welsh Government

20 August 2024

International Strategy and Cardiff Wales Airport

Dear Eluned and Ken

I write in relation to the **written statement** issued on 22 July 2024, announcing planned long-term additional investment funding for Cardiff Airport across a ten-year period, subject to regulatory approval.

The statement references the Welsh Government's **International Strategy** as follows:

To improve connectivity, the Airport will seek to develop routes to those parts of the world identified in the Welsh Government's international strategy as being important for economic growth, such as:

- *The Middle East and South Asia*
- *The European Union - major economic and finance centres and hub airports*
- *North America*

As the Committee responsible for the scrutiny of the Welsh Government's international relations activity, including its International Strategy, I would like to request more information on this significant development as outlined under the subheadings below.

Delivery of the International Strategy

You will be aware that there are two references to Cardiff Airport in the International Strategy, published in 2020. These references are in the context of describing Wales's connectivity to the rest of the world and, separately, in relation to sustainable adventure tourism and the ambition for the airport to become a UK centre for low-carbon aviation. Can you clarify the timeframe for the investment decision? Also, can you confirm which routes are being considered for development and how each route will support the delivery of the International Strategy?

The International Strategy sets out three core aims which are to:

1. raise Wales's global profile;
2. grow the economy by increasing exports and inwards investment; and
3. for Wales to be a globally responsible nation.

I would welcome detailed information on:

- how this investment contributes to each of the three core aims, as outlined; and
- what consideration was given to balancing the core aims, particularly with regards to sustainability?

I would also be grateful if you could clarify:

- whether the investment will be used to action the Airport's plans to commit to net zero targets (which was not met by March 2023), such as for a solar farm at the airport or for the purchase of electric or hybrid vehicles?
- to what extent the failure to meet this target undermines the International Strategy's aim for the airport to become a UK centre for low-carbon aviation?
- how the resumption of Qatar Airways services, if it is secured, will support the delivery of the International Strategy?

Role of overseas offices in the investment decision

Could you explain what involvement the Welsh Government's overseas offices have had in the investment decision as it relates to Wales's connectivity to the rest of the world? In addition, will the overseas offices have a role in the delivery of the airport's future plans that are linked to the International Strategy?

Budgetary implications

The scale of the investment is significant, and it does highlight budgetary implications. While the investment package is subject to regulatory approval, it could total a maximum of £206million across a ten-year period. This is substantially more than the allocated international relations budget of £8.093million for this financial year.

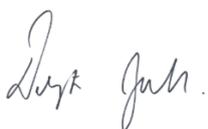
You note in the statement that this investment is, in part, linked to improving connections with parts of the world identified in the International Strategy as being important for economic growth. In that regard, can you explain:

- How will the investment relate to the International Relations budget?
- The Welsh Government has repeatedly told us that it faces a challenging financial situation and cannot plan beyond annual cycles, particularly in relation to other areas of our Committee's remit such as the culture sector. How has the Welsh Government made these funds available?
- On what basis was the airport investment prioritised over other financial pressures such as the financial crisis in the arts, culture and sport?

Finally, I would like to note how disappointing it was to learn of this information by written statement on the first Monday of the summer recess. There were ample opportunities to update Members during term time. For example, the former First Minister attended our scrutiny session on international relations on 19 June 2024, just four weeks before this statement was issued. During the session, the airport was not raised despite specific discussions on the Welsh Government's future international priorities, delivery of the International Strategy and activity in the regions earmarked for new flight routes.

I would be grateful for a response to this letter by no later than 17 September 2024. I am copying this letter to the Chair of the Public Accounts and Public Administration Committee, the Chair of the Climate Change, Environment and Infrastructure Committee, and the Chair of the Economy, Trade and Rural Affairs Committee for their information.

Yours sincerely



Delyth Jewell MS
Committee Chair

Huw Irranca-Davies AS/MS
Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros
Newid Hinsawdd a Materion Gwledig
Deputy First Minister & Cabinet Secretary for
Climate Change & Rural Affairs



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MA-HIDCC-5473-24

Paul Davies MS
Chair
Economy, Trade & Rural Affairs Committee
Welsh Parliament

22 August 2024

Dear Paul,

I have received a request from Lord Douglas-Miller, the former Minister for Biosecurity, Marine and Rural Affairs, requesting formal consent for the Sea Fisheries (Amendment) (No 2) Regulations 2024 (the "2024 Regulations") which intersects with devolved competence, and will apply in relation to Wales.

The 2024 Regulations relate to measures which apply to the seabass fishery which extends beyond the Welsh Zone. In order for them to be effective, they need to apply on a UK basis and apply to all vessels operating in UK waters. In particular the 2024 Regulations remove seabass fishing provisions for United Kingdom registered fishing vessels from Council Regulation (EU) 2020/123. This is to enable more responsive management to be brought in through vessel licensing.

As these Regulations implement UK-wide obligations I intend to give my consent to the Secretary of State for Environment, Food and Rural Affairs to make the 2024 Regulations, so the provisions therein apply in relation to Wales.

The anticipated laying date is the 8 October and the SI is subject to the negative procedure.

I am copying this letter to the Chair of the Legislation, Justice & Constitution Committee.

Yours sincerely,

Huw Irranca-Davies AS/MS

Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion Gwledig
Deputy First Minister & Cabinet Secretary for Climate Change & Rural Affairs
Cabinet Secretary for Climate Change & Rural Affairs

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
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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.

Huw Irranca-Davies AS/MS
Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros
Newid Hinsawdd a Materion Gwledig
Deputy First Minister and Cabinet Secretary for Climate
Change and Rural Affairs

Agenda Item 2/17


Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: HID/PO/227/2024

Mike Hedges MS
Legislation, Justice and Constitution Committee

30 August 2024

Dear Mike,

I am writing in accordance with the inter-institutional relations agreement to let you know that the Inter-Ministerial Group for Environment, Food and Rural Affairs will be held on 16 September at the Defra offices in Marsham Street, London.

This will be the first meeting of this group since September 2023 and I am hopeful that it will usher in a re-set of relations.

I will be representing the Welsh Government. The meeting will focus on partnership working across the UK, a joint work programme for enhanced collaboration, opportunities and challenges for the UK's agriculture markets and protecting and enhancing the UK's biodiversity. I will update you on discussions, and a communique will be issued, after the meeting.

I have also copied this letter to the Climate Change, Environment and Infrastructure Committee and the Economy, Trade and Rural Affairs committee.

Yours sincerely,



Huw Irranca-Davies AS/MS
Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros Newid Hinsawdd
a Materion Gwledig
Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs

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



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MA/HIDCC/5478/24

Mike Hedges MS
Chair
Legislation, Justice and Constitution Committee
Welsh Parliament

2 September 2024

Dear Mike,

In accordance with the inter-institutional relations agreement, I am writing to notify you that a Service Level Agreement between Welsh Ministers, Rural Payments Agency and the British Cattle Movement Service was published on 2 September 2024 and can be found [here](#).

This Service Level Agreement records the agreement made between the Welsh Ministers and the BCMS for the provision of services and the exercise of Welsh Ministers' functions pursuant to section 83 of the Government of Wales Act 2006

I have also copied this letter to Rebecca Evans MS, Cabinet Secretary for Finance, Constitution & Cabinet Office, the Economy, Trade, and Rural Affairs Committee and the Finance Committee.

Yours sincerely,

Huw Irranca-Davies AS/MS

Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros Newid Hinsawdd
a Materion Gwledig
Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs

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Huw Irranca-Davies AS/MS
Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros
Newid Hinsawdd a Materion Gwledig
Deputy First Minister and Cabinet Secretary for Climate
Change and Rural Affairs

Ein cyf/Our ref: HIDCC/PO/0242/24

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

10 September 2024

Dear Paul,

Thank you for your letter of 18 July and for providing me with an advanced, embargoed copy of the Economy, Trade and Rural Affairs Committee report on the Sustainable Farming Scheme. Please find attached my response.

Yours sincerely,



Huw Irranca-Davies AS/MS

Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros Newid Hinsawdd
a Materion Gwledig
Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs

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



Welsh Government Response to ETRA Committee report: Sustainable Farming Scheme

Set out below are the Welsh Government responses to each of the Committee's recommendations in the July 2024 report: Welsh Government's proposals for a Sustainable Farming Scheme.

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1. Recommendations

Recommendation 1. Support for new entrants and succession planning.

Response: Accept

1. We are committed to delivering a scheme accessible to all farmers and farm types, to help prepare farmers for the economic, environment and social opportunities ahead. This includes removing the barrier of historically obtained entitlement to better support young and new entrants into the Scheme. These proposals were included in the recent consultation. The responses to this will be discussed with stakeholders, including WalesYFC and the Farming Unions, as part of the ongoing development of the scheme and wider support for the industry.

Financial Implications: None

Recommendation 2. Support for tenant farmers and farmers on common land.

Response: Accept

2. We continue to consider the needs of our diverse and important tenancy sector to ensure the SFS is accessible to tenant farmers. The proposed eligibility criteria are designed to ensure we are supporting the 'active farmer'. Based on previous feedback from stakeholders including the Tenant Farmers Association (TFA), the Universal layer of the scheme has changed from a multi annual to annual approach to better accommodate tenant farmers. We have also amended specific scheme rules and Universal Actions proposals to accommodate tenant farmers.
3. We are not aware of any unique impediment to tenant farmers but are testing revised proposals against their requirements to ensure tenant farmers have appropriate opportunity in the Scheme. We will continue to work with the Ministerial Roundtable and its subgroups to define the Scheme details. TFA sit on both the Ministerial Roundtable and Officials Working Group to ensure the needs of tenants are considered.
4. In response to stakeholder feedback, we have also recently introduced legislation that allows tenants under both the 1986 and 1995 Acts to seek arbitration if their landlord unreasonably denies requests relating to accessing financial support (as provided by the Agriculture Act (Wales) 2023) or fulfilling regulatory requirements. The provisions apply when tenants require the landlord's consent to matters specified in their rental agreement or when they wish to alter a clause.

5. Finding an acceptable position for common land is a priority for us. We are considering the possibility of graziers participating in a Common's Agreement having access to equivalent funding to the Universal and Habitat Payment Categories through their combined grazing – as well as other opportunities through wider improvement activities (such as access, antisocial behaviour, tree planting, habitat restoration).
6. We are working with industry representatives to develop these ideas and to consider any alternative proposals they may have. These proposals will be presented to the SFS Stakeholder Groups to consider before Welsh Ministers are asked to make a final decision on the Scheme's introduction.

Financial Implications: Managed within existing budget

Recommendation 3. Actions to protect County Council farms.

Response: Accept in principle

7. Local Authority farms are an important asset to the agricultural industry and remain an invaluable point of entry for many young people in Wales.
8. In the wider context of all agricultural land in Wales, Local Authority farms represent a small area, accounting for just below 1% of Welsh agricultural land.
9. Welsh Ministers publish, on an annual basis, as part of the statutory duty under the Agriculture Act 1970, a report on the Welsh Government's activities and the activities of Local Authorities in relation to smallholdings in Wales. This report provides statistical information on the area and number of smallholdings held by local authorities.
10. The management of these farms is ultimately a matter for Welsh Local Authorities. The Agriculture Act 1970 does not confer Ministerial control over the local authorities' powers to sell land. The sale of land, and decisions about how they approach it is for local authorities to consider and not something the Welsh Government could intervene or have a role in.

Financial Implications: None

Recommendation 4. The social value element of the scheme.

Response: Accept

11. Welsh Government have always said we will include payment for the wider benefits farming provides, going beyond income forgone and costs incurred, to recognise social value. We are working on the payment methodology and supporting evidence

which will be discussed with the SFS Stakeholder Groups later this year. This is important and complex work and it is important that we get it right to help ensure the viability of farms in Wales.

Financial Implications: Managed within existing budget

Recommendation 5. Updates on scheme Actions.

Response: Accept in principle

12. We are happy to commit to providing regular updates to the Committee on the basis of when there are key updates within the design process that can be given. This would not be on a fixed timeline such as the 3 months proposed here. The expectation is for at least one update to be provided to the Committee before the end of this year.

Financial Implications: None

Recommendation 6. Organic farming.

Response: Accept

The Welsh Government is still considering how to best reward organic farmers through the Sustainable Farming Scheme and will consider organic farming schemes from other parts of Europe in its analysis.

The Organic Support Payment offered as a transitional scheme at present works by providing funding to organic farms, with payment levels being based on their land area and the type of farming undertaken. This is similar to schemes being run in other European Countries.

The Welsh Government is working closely with the other governments of the UK through the Four Nations Working Group on Organic Production, and is keeping abreast of the developments in organic policy across the UK.

Welsh Government officials will continue to attend meetings of the Welsh Organic Forum and share information received through these between departments. This insight has already contributed to considerations of scheme design, and we will continue to work with the Forum as the Scheme is developed

There will be further discussion between Welsh Government and the Welsh Organic Forum to determine the gaps between SFS proposals and Organic Certification and practices. Support for organic farming will then be considered in relation to the Optional Layer of the SFS. In the meantime, the Welsh Government has committed to the continuation of the Organic Scheme for 2025 to support this important sector.

Financial Implications: Managed within existing budget

Recommendation 7. Carbon capture and sequestration technologies.

Response: Accept

13. We have established the SFS Carbon Sequestration Evidence Review Panel as a subgroup of the SFS Ministerial Roundtable to inform the SFS design process. The Panel is reviewing the evidence for any further or alternative actions to sequester carbon, along with the scale of opportunity for those actions to be rolled out across Wales as part of the SFS Universal Layer. Welsh Ministers will make decisions on the SFS design once the deliberations of the Roundtable and the Carbon Sequestration Evidence Review Panel are concluded.

Financial Implications: None

2. Conclusions

Conclusion 1. New entrants and County Council farms.

Response: There is an extensive programme of work in place to support the development of the SFS scheme design, based on the evidence from the Consultation Analysis and direct feedback from stakeholders. The SFS Official's and Ministerial Roundtable groups and their subgroups include key stakeholders in an inclusive process to develop an agreeable solution to the Scheme design. The Groups are considering all aspects of the scheme including common land and tenancy. The recent Written Statement on the proposal to pay on SSSI areas as part of the habitat payment category, and the response from stakeholders is evidence of this relationship working.

[Written Statement: Sustainable Farming Scheme \(SFS\) – Scheme Design progressing through collaboration \(23 July 2024\) | GOV.WALES](#)

Conclusion 2. Payment methodology and rates.

Response: We are committed to considering how payment rates can include factors beyond costs incurred and income foregone recognising the social value provided by the outcomes being delivered. We are working on the payment methodology and supporting evidence which will be discussed with the SFS Stakeholder Groups later this year. This is important and complex work, and it is important that we get it right to help ensure the viability of farms in Wales.

Conclusion 3. Universal Actions and Optional and Collaborative actions.

Response: We are only able to make progress through the time, commitment and positive engagement of all the organisations who are on the SFS Ministerial Roundtable and Officials Groups. There is a lot of work to be done so we are grateful for their commitment to continue working at pace

Foundational Economy Briefing

By members of the Foundational Alliance Wales network for the Senedd Economy, Trade and Rural Affairs Committee

This briefing document is the first of two documents submitted to the Committee and addresses definitions of the foundational economy and related practice. The second document contains answers to the Committee’s questions and should be read in the context of this first briefing document by the same authors

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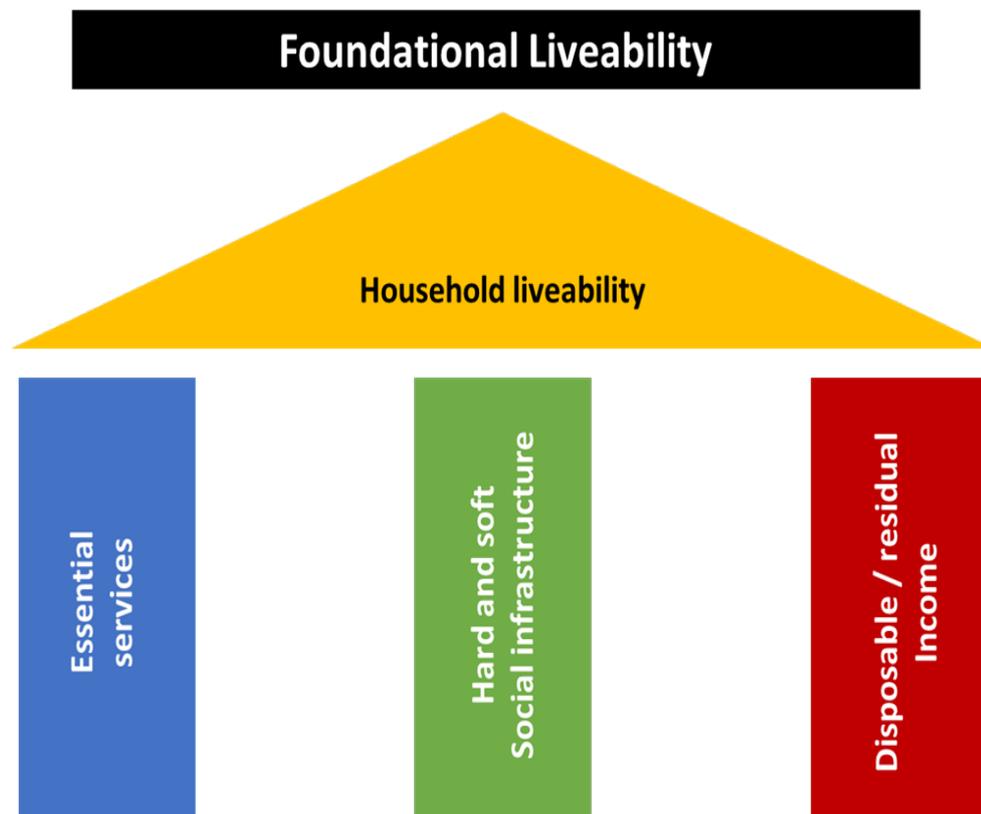
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This briefing reflect the views of the eight individuals above who are all members of the Foundational Alliance Wales network. It has not been debated or approved by the full membership.

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1. Two definitions of the foundational economy, and their different policy implications

1. There are two definitions of the foundational economy (FE), both of which are correct and complementary¹:
 - i. *A narrow, descriptive definition of the FE as the non-tradeable sectors providing basic services like health and care, utilities etc. These sectors have been neglected by those preoccupied with policies for high-tech and tradables but altogether they account for 40% of employment in Wales.*
 - ii. *A broad, analytic definition of the FE as the conditions of well-being: (a) the three pillars of household liveability (residual income after paying for essentials + access to basic services + social infrastructure) on the demand side; and (b) the stock of capable resourceful firms on the supply side; with (c) consumption and production mitigating nature and climate emergency.*



2. The distinction between these two definitions matters because they have very different implications for policy and political practice.
3. Welsh Government and the Welsh political classes (like some northern English Mayoralties) are fixed on the narrow descriptive definition, because its political corollary is business as usual in terms of policy. Those who use this definition see that it largely legitimates and extends what they were already doing in terms

of policy objectives and instruments. So, the Greater Manchester Combined Authority sees the FE as a way of extending their higher productivity objective to low wage activities like care and hospitality. The Government and opposition parties in Wales see it as a way of continuing the consensual, cross-party promotion of local purchasing, which predates the FE concept. See, for example, the Economy Minister's statement in December 2023 on the progress of the FE², which listed procurement achievements in transport, energy and housing. It is no exaggeration to say that this statement could have been given by a minister and warmly received by opposition parties at any time in the past 15 years.

4. Those who think and do foundational in Wales, like the Foundational Economy Research Ltd³ consultancy and the Foundational Alliance Wales⁴ membership organisation, are fixed on the broad analytic definition. The political corollary is urgency because in 2024 we are in the middle of a liveability crisis when all three pillars are crumbling. Cost of living crisis is squeezing household residual income (i.e. disposable income minus the cost of the foundational essentials of housing, utilities, food and transport). At the same time citizens have access difficulties and waiting lists in essential services like health and care. While austerity-hit local authorities are retreating from hard social infrastructure provision in the form of community centres, libraries and parks and cutting support for activities like youth clubs which sustain social cohesion⁵. The implication is that FE is a frame within which we must think about doing things differently for the times we are in, and for the new 2020s challenges we are facing.
5. What and how to do different is the puzzle we all need to address.

2. Welsh Government's grand objectives and limited achievements

6. In Wales (as in Scotland) the story of devolved government is grand objectives and limited achievements. In both cases it suits opposition parties to blame a long-standing party of government and claim that, if elected, they could do better. But, in all fairness, underachievement is rooted in political structures and processes which have been largely taken for granted by all major parties.
7. Welsh Government has to act within a complex multi-level political apparatus. This includes Westminster above and below a collection of 22 local authorities plus not-for-profit institutions serving households (NPISHs) like health boards and housing associations; around this are the Cardiff Bay satellites of trade bodies defending private interests and the NGOs dependent on government contracts.

8. In this context, Welsh Government's broad approach has been strategizing and mission driven. Before Mariana Mazzucato⁶ popularised the term, Welsh Government went for big goals and targets. Hence the Communities First goal of poverty reduction in deprived communities 2001-18, and the Future Generations Act 2015 translating UN Sustainable Development Goals into Welsh legislation. And targets are set in almost every policy area, from tree planting to the reduction in car journeys by 2030.
9. Where the objectives of Welsh Government policy overlap with the liveability agenda, progress has been limited. Most obviously the big three publicly funded and Welsh controlled foundational systems of health, education and care have not been reformed to operate in a new and better Welsh way. And liveability has been going uncontrollably backwards in the 2020s with austerity funding undermining public services and social infrastructure; while the cost-of-living crisis about market entitlement, especially around energy and food prices, erodes residual income.
10. Against this background, Welsh Government has responded defensively. Where possible, it has softened the edges of Westminster policy as, for example, by building social housing in Wales when England did not. On complex problems, it has pressed single-shot mandating policies, recently including universal free school meals, 20mph speed limits and (proposed) 10% tree and woodland cover on farms. These are policies which are challenging to implement, even when they do not encounter political resistance.
11. The underlying problem with the Welsh Government version of mission-driven is that it does not address who does what and how except in a proceduralised way. Welsh Government's approach is to legislate or issue regulations and commit to goals and targets before setting up another office, unit or committee whose job is to get everybody on board for top-down policy.
12. Archetypally the Future Generations Act created a commissioner with an office and the local Public Service Boards (PSBs). This did not confront the central problem of risk avoidance and inertia around established ways of working within single institutions and across large, complex systems. Hence PSBs too often do formal compliance through meetings and reports while the multiple agendas of members ensure that progress is at the pace of the slowest ship in the convoy.
13. The Future Generations Act does legitimise the efforts of those arguing the case for sustainability and the Commissioner's reports do document how Welsh Government is off track. But the apparatus of Commissioner and PSBs did not advise on priorities and trade-offs between goals which cannot all be achieved and could not secure grand ambitions,

14. The *Cymru Can* reset for 2023-30 under a new Commissioner recognises limited progress but continues with 5 missions that include a shift to “an economy that puts people and planet first”⁷. It does not engage with foundational delivery in the sense of this briefing. Foundational delivery is about who does what, how and when to make a meaningful difference to liveability, stock of firms and climate change
15. Sustained under delivery must discredit Welsh Government and the effects are being compounded by a market driven cost of living crisis in the mid- 2020s, All this is economically and socially damaging and now threatens to destabilise the centrist consensus politics on which devolution has been built. Reform UK is in second place in 13 Welsh Westminster constituencies after the 2024 general election⁸ and Senedd members will most likely face a volatile electorate in 2026 under the additional member system.
16. Welsh Government needs to face up to the outcome of state centric failure after two decades of devolution and urgently needs to find a new role in a multi-level system. Currently, nobody has worked out, who does what alternative which is guaranteed to work. But we can find some hopeful precedents and developments which provide a starting point and a basis for learning.

3. Alliances of the willing as a who does what discovery

17. One of the reasons to be cheerful is that there is a ferment of mid -level social innovation on liveability in Wales. Some values driven organisations are doing the right things, often without using or understanding the foundational concept. Others like NHS Wales are getting up to speed and moving towards an analytic definition with its ‘people, places and purchasing’ vision.⁹
18. At the leading edge of foundational innovation are our Welsh *shining lights*. Typically, these are locally grounded medium sized organisations of all sorts, which combine management capability with a secure revenue stream so that they are not dependent on short term Welsh government grants. Thus, for example, Merthyr Valley Homes has pioneered flexible shorter hours, Cyngor Gwynedd has innovated in home care reform, and Grange Pavilion is a remarkable case of community social infrastructure provision under the aegis of a university.
19. Our Lottery funded project¹⁰ is currently analysing why it is difficult to sustain or spread such innovation and how we can better support social innovators. The preliminary finding is that innovation initially depends on alignment of favourable conditions and then faces structural obstacles. Providential foundational

- systems like health and care are well organised to reproduce standard behaviours and ways of thinking which reject change. Material foundational systems like food distribution are organised around an offer of price, choice and convenience, so that innovation outside the mainstream is a niche opportunity.
20. Hence the revealed importance of organising alliances of the willing in key target areas where we can find leverage. The willing are a subset of typically middle-level, self-directing enthusiasts from organisations which are innovating (or want to innovate) around a shared problem definition and a group agenda. Alliances need an enabler/ connector to bring change makers together; and, in the case of hierarchical systems, alliances need permission and support (but not control or direction) by senior management.
 21. Through a process of discovery, Wales has good alliance for change examples. In the Healthy Housing Alliance, Cwm Taf Health Board, seven housing associations and the University of South Wales come together to bring economically inactive and poorly qualified local residents into NHS employment.¹¹ The sources of initiative are varied. In North Wales, a local authority initiative originally brought local authorities, health board and housing associations together to found Movement 2025 with a task-based approach to avoidable health inequalities.¹² An alliance of federated social enterprises (Cwmni Bro Ffestiniog, Partneriaeth Ogwen and Siop Griffiths) is in the lead in the slate valleys initiative for community benefiting tourism,¹³ which will deliver on Gwynedd Council's Sustainable Visitor Economy Framework.
 22. There is scope to do much more quickly by building alliances around existing single organisation innovation as with, for example, bringing housing associations and health boards together around 'grow your own' workforce initiatives. For example, Hywel Dda and Aneurin Bevan both have single organisation initiatives for training up care assistants to become registered nurses¹⁴ which could be expanded through alliances
 23. Of course, what we have at present are promising, small-scale experiments in alliance which come with no guarantee of local success, nor any certainty that local success will be followed by spreading and sharing elsewhere. And alliances are only part of a larger necessary push against inertia. But given the liveability crisis and the blockages on strategizing, it is worth getting behind this approach as a way of tackling the crisis of liveability.
 24. This is about new ways of working because alliance groups will often need to have substantial autonomy in defining challenges and responses. And we need to innovate not only by changing foundational systems and building the stock of capable enterprises but also to innovate by tackling liveability in places. After all,

people live in places where foundational provision like health, public transport and housing intersect.

25. In all this, the role of Welsh Government should be not to strategize but to sponsor and empower mid-level initiative by alliances of the willing delivering innovation in a broad foundational frame and using their initiative to improve the conditions of well-being in task-centred, specific ways. Practically, this requires top-down support for alliances tackling priorities like domiciliary care reform, as well as funding support for the key individuals who act as connectors to bring alliances together.

4. The potential of skunkworks projects

26. Of course, Welsh government needs to do more than sponsor mid-level initiative in alliances of the willing. And one of the neglected ways in which Welsh Government can do more to accelerate positive change is by funding skunkworks projects which harness the power of small task centred units which are in but not of government.
27. This approach was pioneered in the private sector by Lockheed Martin in the 1940s for jet fighter development and was subsequently used by corporates including Google and Apple with the development of the Macintosh as the first successful mass market PC. These companies recognised that a culture of control and standard organisational processes slow disruptive innovation. Their response was to create a skunkworks, an officially sanctioned breakout space with high level report to the organisation (not low-level control by the organisation). Inside the skunk works, a small team of innovators is given a difficult task and deadline with substantial autonomy about how it tackles problems.
28. Skunkworks is now rather out of fashion in the private sector because corporates are instead pressing continuous innovation and cultural change across the whole organisation. Thus, Alfa Romeo used a skunk works team to halve model development time on the all new Giulia in the 2010s, but companies like VW now want shorter development times on all their products because that is what their Chinese competitors can do.
29. But Wales is a different case. In and around Welsh Government, many individuals and organizations are reluctant to step outside their comfort zone and default onto established control routines of writing specifications and inviting tenders. In this Welsh political context, wider adoption of the skunkworks approach is an appropriate next step because Wales needs more small

autonomous teams tasked with tackling difficult problems in flexible, innovative ways.

30. Broadly, this is the road not taken by devolved Welsh Government because skunkworks does not fit its dominant state centric model of governmentality. But the good news is that Wales does have some past and present exemplars of successful skunk works approach. These show that when Welsh government does let go, our innovators can think outside the box and come up with ways of getting change that takes us towards our objectives.
31. Looking back wards, the two classic examples both from the early 2010s are Inform to Involve/ i2i and Arbed1.
 - In i2i a small team of housing professionals funded by Welsh Government but located outside in the Chartered Institute of Housing was tasked with getting more community benefits from public contracts. Their Can do Toolkit gave practical advice on how to write local preference contracts so as not to breach EU regulations and had considerable influence on RSL practice.
 - Arbed 1 was about improving social and private housing stock for energy efficiency, reduced fuel poverty and supply chain benefits. An autonomous team in Warm Wales, a specially formed community interest company, facilitated problem solving action by RSLs and local authorities, their contractors and energy suppliers while keeping householders on board.
32. These programmes were formally evaluated¹⁵ and positively written up by academics¹⁶ but they did not become templates for action because they were both supported and opposed by sections of Welsh Government. Value Wales actually went so far as to seek legal advice on the supposed illegality of the contract provisions proposed in the Can do Toolkit.
33. The story to the present day is that Welsh Government has occasionally stumbled into doing skunkworks projects and has the opportunity to do more. The Delivering Net Zero programme¹⁷ has been through several iterations and is now operating in a skunkworks mode to facilitate the move to low carbon social housing. 12 RSLs and 11 local authorities are being brought together to work on delivering low carbon timber frame homes and to work collaboratively to develop a supply chain with a pattern book and a visible pipeline of orders.¹⁸
34. And more could be actioned quickly if funders and local actors recognised the potential of this way of working. Foundational Alliance Wales and Foundational Economy Research Ltd currently have a proposal for a skunkworks project on liveability in Neath Port Talbot. This would be a constructive, non-standard response to the job loss at Tata Steel and could also provide learning for other places and communities.

Endnotes:

¹ For an overview of FE definitions and context see the *What is the FE* section on the web site for international FE researchers <https://foundationaleconomy.com/introduction/>. For extended up to date argument, see the 2023 book *When Nothing Works* by L. Calafati et al which is primarily oriented to what Westminster government should do.

² Oral statement: Foundational Economy, Vaughan Gething 5 December 2023
<https://www.gov.wales/oral-statement-foundational-economy-2>

³ FERL web site at <https://foundationaleconomyresearch.com/>

⁴ FAW web site at <https://www.foundationalalliance.wales/>

⁵ On infrastructure see the Bennett Institute definition at https://www.bennettinstitute.cam.ac.uk/wp-content/uploads/2023/01/Social_infrastructure_international_comparative_review.pdf

⁶ See the publications of the UCL Institute for Innovation and Public Purpose
<https://www.ucl.ac.uk/bartlett/public-purpose/research/mission-oriented-policy-hub>

⁷ Cymru Can at <https://www.futuregenerations.wales/wp-content/uploads/2023/11/2023-11-20-Strategy-English.pdf>

⁸ BBC report on 2024 general election results [Wales election live: Tories lose all MPs as party wiped out - BBC News](#)

⁹ See NHS Wales foundational economy programme at [A Healthier Wales foundation economy programme | GOV.WALES](#)

¹⁰ The Lottery project runs from 2024 to 2026 and brings together People's Economy, Foundational Alliance Wales and Foundational Economy Research Ltd

¹¹ For more information contact Bethan.Underwood2@wales.nhs.uk The Cwm Taf programme is described at <https://www.skillsforhealth.org.uk/resources/cs-cwm-taf/>

¹² Described at <https://www.2025movement.org/about>

¹³ See community tourism page on the FAW web site
[\https://www.foundationalalliance.wales/community-research-network.html

¹⁴ Described in the 2022 FERL report on NHS Wales
<https://foundationaleconomyresearch.com/wp-content/uploads/2023/03/NHS-Wales-Public-Interest-Report-June-2022.pdf> pp. 32-40

¹⁵ See for example the evaluation of Arbed 1 by Joanne Paterson
<https://orca.cardiff.ac.uk/id/eprint/41181/1/FINAL%20WW%20Arbed%20Report%2008%202012.pdf>

¹⁶ See Kevin Morgan's 2012 article
<https://www.ncl.ac.uk/media/wwwnclacuk/curds/files/Kevin%20Morgan%20-%20Values%20for%20Money%20-%20Agenda%20article.pdf>

¹⁷ <https://carboncopy.eco/initiatives/delivering-net-zero>

¹⁸ An out-of-date description is at <https://carboncopy.eco/initiatives/delivering-net-zero>

Foundational Economy Response to Questions

By members of the Foundational Alliance Wales network for the Senedd Economy, Trade and Rural Affairs Committee

This is the second of two documents submitted to the Committee and contains answers to the Committee’s questions. It should be read in the context of the first briefing document by the same authors which addresses definitions of the foundational economy and related practice.

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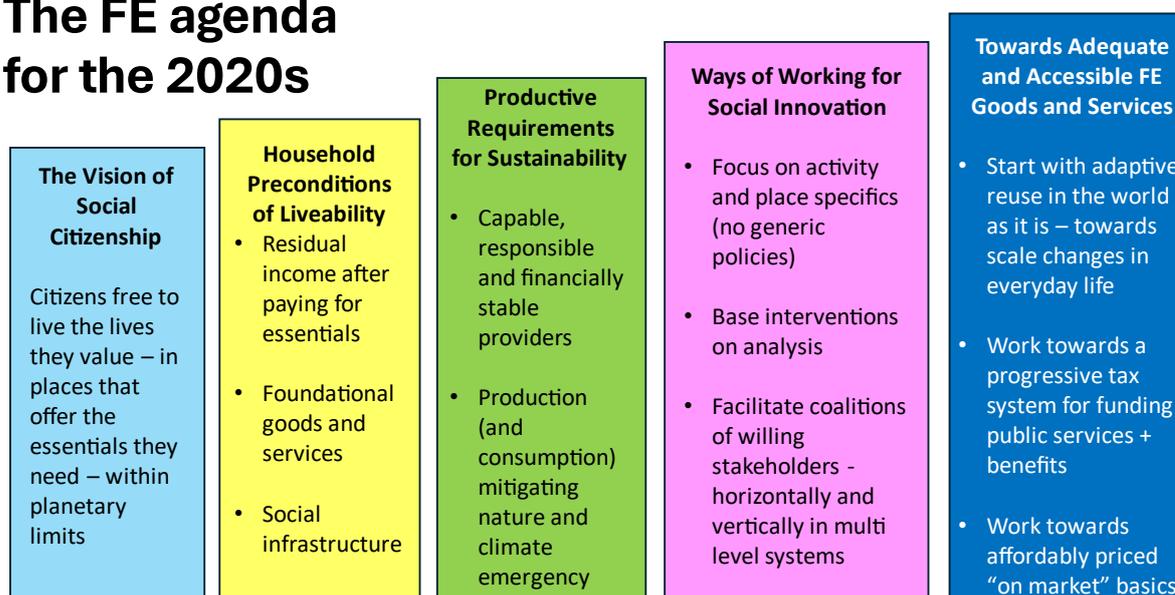
These responses to questions reflect the views of the eight individuals above who are all members of the Foundational Alliance Wales network. It has not been debated or approved by the full membership.

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The Committee's six questions

1. The Economy, Trade and Rural Affairs Committee has six questions which are answered below. Our caution is that the questions are generic and do not fit easily into the foundational agenda for the Welsh and Westminster governments which is outlined in the 5 bar diagram below (taken from the Foundational Alliance Wales website). Our answers need to be read in the context of the briefing document separately submitted, which deals with different definitions of the foundational economy and their various policy implications.

The FE agenda for the 2020s



Question 1

To what extent has the Welsh Government embedded support for the foundational economy into its overall approach to economic development? What further steps should it take to do this?

2. The descriptive concept of the FE, and the preoccupation with procurement specifically, has been added on to the established Welsh approach to ‘economic development’ which is about more GVA per capita, economic growth, skills and inward investment.
3. This approach is not well considered.
 - The long-term objective of faster growth is almost certainly unattainable in the present conjuncture of low growth and unexpected crises in all the advanced economies.

- If attained, faster growth would increase social inequality because upper income groups always capture a larger share of the increase in disposable income. In the UK between 1999 and 2020 the top 30% of households by income captured 48% of the increase in disposable income and the bottom 30% got just 16.6%.ⁱ
 - Faster growth would also increase emissions because globally growth and emissions are relatively but not absolutely decoupled; and the UK's apparent post-1990 success in reducing emissions comes from doing the easy bit which was closing the coal fired power stations.ⁱⁱ
4. The analytic FE concept is about the conditions of well-being. It starts from a different concept of development drawing on the work of Amartya Sen.ⁱⁱⁱ The aim of development is freedom for citizens to 'live the lives they have reason to value'.
 5. This requires intervention in places to address social infrastructure and in strategic activities, especially health care. NHS Wales provides an essential service for the population and is also the leading economic sector of the Welsh economy when NHS Wales employs 100,000 at diverse grades and all across Wales.^{iv}
 6. Grow your own workforce development should be the first foundational priority in health care. Each health care job created for a local provides years of reliable support for a Welsh family by a worker who understands language and culture in ways which will be crucial to preventive medicine in the next generation. NHS Wales is too dependent on recruiting 'ready-made' nurses and doctors who have trained overseas, as well as on bank and agency staffing.^v NHS Wales needs to get beyond (successful) small scale experiments in 'grow your own workforce' by adapting and scaling the principle more widely across health boards and across roles. This is low hanging foundational fruit.

Question 2

Given the cross-portfolio nature of the foundational economy, how should the Welsh Government create a co-ordinated approach to mainstreaming support for foundational economy sectors across government?

7. The creation of a small foundational economy unit within an economy and skills group under the Secretary for the Economy has not led to a co-ordinated approach. The unit has been compartmentalised intellectually by a narrow definition of the foundational economy and politically by the chronic difficulty of getting buy-in from other units even those within the same directorate.

8. The idea that the FE can be mainstreamed by coordinating different groups within a multi-level system of government and governance underestimates the power and resilience of sectional agendas and resistance. The outcome too often is that everybody's business is nobody's priority.
9. In this context, there is a role for challenge by bodies like Senedd Committees when ministers and officers persist with consensual policies which are not delivering. For example, food and drink processing is the largest Welsh manufacturing sector employing around 25,000. But, under established policies of business support, the number of SMEs in the sector has not increased in more than a decade.^{vi}
10. But, without serious research briefings, committees cannot make effective challenges on such issues. The point is proved by the 2024 Senedd Climate Change Committee report on underperforming Dwr Cymru.^{vii} Without research-based support the committee was unable to judge and challenge management claims that the proposed increase in investment by Dwr Cymru over the next price review period from 2025-30 was adequate to deliver the necessary improvement in reducing storm overflow discharges and major pollution incidents.
11. All report writers know that knowledge does not lead to action. But the absence of knowledge undermines the possibility of effective action. Independent research-based support for ministers and Senedd committees is a key foundational priority.

Question 3

Which of the Welsh Government's foundational economy policy initiatives have been most successful, and why? Which have worked less well, and why?

12. In terms of explicitly labelled foundational initiatives, 'worked less well' must be the verdict because there are too few outcomes that are positive and policy driven. The £4.5 million Foundational Economy Challenge Fund^{viii} was innovative in conception, but the responsive nature of the process meant that applications were not targeted on specific organisations, activities and places, diluting the impact and learning opportunities.
13. The result was what might be called accidental successes. The Fund offered short term funding with follow up communities of practice which have generally not developed into alliances of the willing. But it did provide catalytic support for some self-directed organisations like Cwmni Bro, Drive and Wood Knowledge Wales which are now putting together alliances of the willing. This shows how a small amount of money can go a long way if it gets to the right people.

14. More broadly, housing and transport are the two major areas where Welsh Government did have policies which were foundational but not labelled as such. These policies were constrained by the gap between ambition and funding limits which stand in the way of delivering for example, on social housing building targets or low bus fares.
15. Given the inevitable funding constraints, it is important to remember that Welsh Government can often effectively support alliances of the willing or skunk works projects by sponsoring and enabling change without spending large sums of money or acquiring new powers. Top-down support of mid-level champions of innovation is essential. Without such support, the reform of time-and-task based systems of home care for older people will not be consolidated in local authorities like Gwynedd where they are being pioneered, nor will they spread effectively to new areas. Equally, internal system inertia and resistance can be overcome by creating skunk works teams

Question 4

What examples of best practice exist in different foundational economy sectors and places within or beyond Wales? How could the Welsh Government better support partners to deliver best practice, and to scale it up where appropriate?

16. The Foundational Economy conference in Cardiff on September 10-11th showcases good practice in ‘making things work’.^{ix}
 - It offers case studies of foundational innovation from Wales and beyond including from Italy and Australia, covering key sectors like health and care, public food, transport infrastructure provision, and localisation of supply chains.
 - This is balanced by reports on place-based development from Grangetown in Cardiff to neighbourhood development in Birmingham, as well as reports on the many good things being done by grounded local community enabling enterprises like Planed in West Wales and the social enterprises like Cwmni Bro and Partneriaeth Ogwen in the slate valleys.
17. As argued in the opening sections of this briefing, Welsh Government can become more effective in supporting social innovators by (a) formally adopting the broad analytic definition of the foundational economy and (b) empowering and enabling alliances of the willing and skunk works projects in sectors and places.
18. In thinking about places, the analytic foundational concept of development puts considerable emphasis on development *with* communities. Because communities must have collective agency if they are to develop the “lives they

have reason to value”. This agency is denied them in the main stream concept of economic development where development is something which is done *to* and *for* communities.

19. For example, communities need agency over the development of the tourism sector which is now the key Welsh source of export earnings from outside Wales.^x Welsh Government has backed the development *for* communities approach with unimaginative and unnecessary financial support for major corporate projects like Surf Snowdonia and Zip World at the Tower Colliery site. Welsh Government needs to recognise that tourism development *with* communities depends on community engagement and building an infrastructure of social enterprises and family businesses.
20. In a very Welsh way, the Gwynedd and Eryri Sustainable Visitor Economy 2035 strategy gives us a tourism mission with lots of tourism goals and objectives but very little on how to get there^{xi}. Meanwhile, it is London based UK Research and Innovation (not Welsh Government) which has been supporting the Dolennu project by funding a community-based researchers’ initiative in the slate valleys^{xii}. One of the urgent foundational priorities is a Wales wide overview of how we could mobilise through alliances to do tourism differently.

Question 5

What progress has been made in using procurement to strengthen the foundational economy since our predecessor Committee looked at this issue in 2019? What further actions are required to deliver greater progress, and what innovative examples of best practice could be built on?

21. The role of public procurement has been widely misunderstood. Postcode localisation does not capture value added and risks building client firms, not capable firms; the broader approach of supply chain development is limited by Welsh capacity to mobilise volume demand. On the demand side, the population of Wales is not much larger than the near 3 million population of the Manchester metro area. And on the supply side, the two main activity clusters (Wrexham/ Flint and Cardiff/ Newport) are heavily integrated into the adjacent English economy.
22. Smarter procurement requires activity-based analysis of specifics. Thus, on food, the enthusiasm for public purchasing of local food does not give much leverage. Foundational research showed that in the early 2020s the total Welsh annual public sector spend on food and catering was roughly equal to the turnover of just one Tesco superstore;^{xiii} and Welsh consumers want more

diversity than the meat and dairy which pastoral Welsh farms produce in volume for export.

23. The implication is not that food procurement does not matter, but that we need a much more discriminating approach to identifying and seizing opportunities in ways that make a difference to the lives of households and builds capable SMEs which are grounded in communities and which are able to train, invest and sustain themselves while providing decent pay and conditions.
24. If public sector demand for food and catering is very modest, the food served in our schools and hospitals is important in itself and a lever for changing food culture, as Kevin Morgan argues in his forthcoming book.^{xiv} On the supply side, the failure to grow the stock of food processing SMEs reflects the absence of consistent top-down support for the relevant foundational policies. The 2022 Foundational Economy Report recommended more food parks with rented units and public contracts giving preference to regionally based food service distributors that can and do successfully develop supply chains in Wales.

Question 6

How effective have the Welsh Government's actions to deliver fair work in foundational economy sectors been? What further steps should it take within its devolved powers to progress this agenda, and how can it work with the UK Government to drive improvements in non-devolved areas?

25. There is a role for fair work provisions through living wages and progressive conditions provision in all kinds of public contracts. Essentially, these put a floor under competition and usefully prevent a race to the bottom on wages. There are of course structural revenue side ceilings on the ability of employers to pay higher wages in service sectors like tourism and hospitality.
26. And at present the immediate issue is not wage rates and conditions but the rising prices of on market essentials like rents, utilities and food, The “cost of living crisis “is about increases in these market prices which are squeezing low wage households by eroding the residual income available for everything else. High energy prices and fuel poverty are here to stay. The current 10% rise in the energy price cap^{xv} and the burden of ‘cheapflation’ on food prices in value ranges^{xvi} are squeezing low-income households in ways which are not controllable by Welsh Government. Welsh Government does not have the powers to establish a social tariff to reduce the utility bills of low-income households; nor to establish progressive charging according to household income so that high income households paid more and low income households paid less.

27. The implication of all this is that Welsh Government action on fair work needs to be supported by a range of broader liveability measures. As with so much else, this has to start by recognising realities. Wales has in the past 50 years transitioned from a high wage, male breadwinner, manufacturing and extractive economy to a low wage, dual wage earner, service economy. And this is not going to change in the foreseeable future.
28. From a foundational point of view, the problem of the low wage, dual earner Welsh household is time as much as money. Because these households cannot afford to outsource services – such as cleaning, childcare, food preparation - as higher income households do. For this reason, experiments in flexible, shorter hours are an effective foundational prescription for liveability and it would be good to see them enthusiastically backed by Welsh Government.

Conclusion

29. The argument of the accompanying briefing and the responses to the Committee's questions can be summarised in three points:
- i. In a new period of economic instability and political volatility, Welsh Government and all the mainstream Welsh parties need to change their state centric approach and begin to think and act differently.
 - ii. The analytic focus on the foundational economy as the conditions of well-being directs Welsh Government attention to what has gone wrong and urgently needs fixing.
 - iii. Welsh Government could do more to improve liveability, build a stock of capable firms and mitigate climate change if it explicitly shifted from strategizing and directing to enabling and empowering others through alliances of the willing and skunk works projects.

Notes

ⁱ Data in L Calafati et al. (2023) *When Nothing Works*, pp. 113-115

ⁱⁱ Data in L Calafati et al. (2023) *When Nothing Works*, pp. 48-54

ⁱⁱⁱ Amartya Sen (1999) *Development as Freedom*, Oxford University Press

^{iv} Data in 2022 FERL report on NHS Wales <https://foundationaleconomyresearch.com/wp-content/uploads/2023/03/NHS-Wales-Public-Interest-Report-June-2022.pdf> pp.13-16

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- ^v See evidence in 2022 FERL report on NHS Wales
<https://foundationaleconomyresearch.com/wp-content/uploads/2023/03/NHS-Wales-Public-Interest-Report-June-2022.pdf> pp.21-6
- ^{vi} See FERL2022 report for Welsh Government on SMEs in food processing
<https://www.gov.wales/sites/default/files/publications/2022-07/what-can-welsh-government-do-to-increase-the-number-of-grounded-sme-firms-in-food-processing-and-distribution.pdf>
pp. 13-16
- ^{vii} Senedd Climate Committee report at <https://senedd.wales/media/lijnmtov/cr-ld16328-e.pdf>
- ^{viii} The official rationale for the Challenge Fund is at
<https://businesswales.gov.wales/foundational-economy>
- ^{ix} The Cardiff conference programme is on the FAW web site at
<https://www.foundationalliance.wales/conference-making-things-work.html>
- ^x See this briefing on tourism in Gwynedd <https://foundationaleconomyresearch.com/wp-content/uploads/2023/04/Tourism-briefing-1-Gwynedd-tourism-March-2023-p.pdf>
- ^{xi} Gwynedd and Eryri Sustainable Visitor Economy 2035
<https://authority.snowdonia.gov.wales/the-authority/partnerships/gwynedd-and-eryri-035/#:~:text=What%20is%20the%20Gwynedd%20and,tourism%20in%20Gwynedd%20and%20Eryri>
- ^{xii} Dolennu Slate Valleys Project 2023-4 <https://www.foundationalliance.wales/community-research-network.html>
- ^{xiii} The numbers on public spend are at
<https://www.gov.wales/sites/default/files/publications/2022-07/what-can-welsh-government-do-to-increase-the-number-of-grounded-sme-firms-in-food-processing-and-distribution.pdf>
pp.18-19
- ^{xiv} Kevin Morgan (January 2025) *Serving the Public*, Manchester University Press.
<https://manchesteruniversitypress.co.uk/9781526180469/>
- ^{xv} For the current 10% rise in energy price cap <https://www.ofgem.gov.uk/energy-price-cap>
- ^{xvi} See the IFS report at https://ifs.org.uk/sites/default/files/2024-08/Cheapflation-and-the-rise-of-inflation-inequality_1.pdf

Submission to the Economy, Trade and Rural Affairs Committee Consultation on The Foundational Economy

Submitted by Professor Anne Green (City-REDI, University of Birmingham) and Professor Paul Sissons (Keele Business School, Keele University).

Introduction

1. This response draws primarily on two research projects. The submitting authors worked with the Bevan Foundation on a project assessing 'Fair Work in the Foundational Economy'. The project included a review of the existing international evidence and new data analysis on Foundational Economy sectors in Wales.ⁱ The authors have also recently undertaken independent academic research examining the development of Foundational Economy approaches in Wales. This work is currently being finalised, but a draft version of the paper will be submitted to the Committee. Anne Green has also been involved in work with colleagues from the University of Glasgow, Sheffield Hallam University, Newcastle University and the University of Manchester on alternative approaches to urban economic development,ⁱⁱ including a series of workshops in Birmingham, Sheffield, Cardiff, Glasgow and Newcastle on alternative economic development approaches funded by the Royal Society of Edinburgh.ⁱⁱⁱ This submission is structured around the Committee's questions to which the research findings offer some insights.
2. The ideas of the Foundational Economy (FE) have generated considerable interest around the idea of doing economic development differently. However, there is limited evidence on how to transform 'foundational economy thinking into policy practice' (Hansen, 2022; 7).^{iv} In this respect Wales is something of a pioneer.
3. The FE includes a heterogeneous collection of goods and services that collectively can be thought of as constituting the 'social and material infrastructure of civilised life' (FEC, 2018; 3).^v Recent work identifies the core distinguishing features of FE thinking as being a concern with activities close to the everyday needs and wellbeing of the population and a focus on social innovations.^{vi} There are similarities between the FE and other conceptualisations such as the Everyday Economy (particularly where activities which have been termed 'overlooked' are included – i.e. those goods and services which are considered not materially essential but culturally expected such as haircuts, cultural and leisure activities and housing maintenance).
4. The employment footprint of the FE is large. Estimates from the Labour Force Survey suggest that more than 70 per cent of workers in Wales are employed in jobs in either the Material, Providential or Overlooked parts of the FE.^{vii} Around 40 per cent of the workforce is employed in the Providential sector alone (which includes large parts of health, education and public services), and this proportion will be far higher in some local areas. Parts of the FE, particularly in the Overlooked sectors (which include goods and services culturally defined as essential), are typified by comparatively low rates of pay and a high incidence of temporary work.

To what extent has the Welsh Government embedded support for the foundational economy into its overall approach to economic development? What further steps should it take to do this?

5. The Foundational Economy Challenge Fund (points 8 and 9) supported a discrete group of projects aimed at generating learning about policy and practice in the FE. Since the Challenge Fund there has been evidence of the wider embedding of a FE agenda in economic development policy in Wales. However, this embedding has been relatively uneven in terms of both sectoral coverage and the selective use of policy 'levers'. Much of this embedding has been focused on the potential opportunities offered by procurement (see points 10 to 14), in particular drawing on the ideas of Community Wealth Building. Sectorally, approaches to the FE have been furthest advanced in relation to the health sector.
6. Reading across the development of FE policy in Wales it appears that while there is broad support for the idea, there is a need to develop a more shared consensus of how the FE is understood in relation to economic development and what this means in practice. Understandings of the FE appear to be quite inconsistent, and the ideas are used at times interchangeably with other models of alternative economic development, particularly Community Wealth Building. In the most recent economic development strategy, 'Economic Mission: Priorities for a Stronger Economy' (2023), there is a re-framing to the 'Everyday Economy'. There also appears to remain an ongoing tension between the focus on tradable and non-tradable sectors and their relative roles in economic development policy in Wales.
7. There would be considerable benefit to adopting a clearer shared position on both how the FE is understood, and which particular policy needs and priorities are being sought to be addressed through a focus on the FE. It may also be the case that a different overarching approach or framing, such as building a 'wellbeing economy', might be more intuitive (particularly in the context of aligning to the Future Generations Act).

Which of the Welsh Government's foundational economy policy initiatives have been most successful, and why? Which have worked less well, and why?

8. The Foundational Economy Challenge Fund was developed to support the incremental growth of, and learning about, FE development. The average allocation of funding to the projects was relatively small in scale. The projects covered a diverse mix of activities, some of which were focused on particular sectors and others which were more cross-cutting (such as different forms of business support, start-up support, business hubs etc). There was a considerable focus on the social care sector which included the opportunities for new organisational forms of service provision and innovation in the sector. Private sector involvement as funding recipients was however very limited and some FE sectors were not well-represented. In relation to learning it should be noted that the delivery phase of the projects coincided with the Covid-19 pandemic.
9. The Foundational Economy Challenge Fund projects can be grouped around four different areas of focus: production; service quality; employment support; and

procurement and social value. While there are some examples of more pronounced social innovation in the funded projects, there was also a significant incidence of projects which did not appear to be particularly far removed from relatively established or standard practice in relation to local and regional economic development policy. Taken together the collection of projects can appear somewhat ad hoc, rather than obviously constituting an ambitious and coherent approach to developing FE support. That is not to suggest that there is not valuable learning from the project experiences, and collating information on lessons learned can help inform ongoing learning and future directions of policy. This should include supporting the continuation and growth of a community of practice among involved stakeholders.

What progress has been made in using procurement to strengthen the foundational economy since our predecessor Committee looked at this issue in 2019? What further actions are required to deliver greater progress, and what innovative examples of best practice could be built on?

10. Procurement is the area where support for the FE has arguably been most progressed, drawing particularly on the ideas of Community Wealth Building, with the Preston model being the best known example.
11. The Healthier Wales foundational economy programme guidance emphasises the aim to embed a local FE focus within procurement decisions in the health sector. Other aspects of the strategy link to aspects of workforce development in the health sector. The 2023-2026 Public Health Wales Strategic Plan identifies NHS providers as ‘anchor institutions’ which need to embed FE principles into their approaches to value and innovation. Anchor institution networks outside Wales have also included a particular focus on procurement, as exemplified by the case of Birmingham under a Community Wealth Building banner.^{viii}
12. The focus on procurement also aligns with the Social Partnership and Public Procurement (Wales) Act 2023.
13. These developments all indicate a clear direction of travel and shape the potential role of procurement in supporting FE activities. However, to date there is limited (publicly available) evidence on the nature or scale of impact these changes are having.
14. As described below (point 16), there is scope to seek to use procurement more ambitiously in line with social value and job quality within suppliers to progress the Fair Work agenda.

How effective have the Welsh Government’s actions to deliver fair work in foundational economy sectors been? What further steps should it take within its devolved powers to progress this agenda, and how can it work with the UK Government to drive improvements in non-devolved areas?

15. There is limited evidence of conspicuous success in harnessing FE policy for supporting Fair Work outcomes. A partial exception to this is in the social care sector with the

pledge to pay social care workers the Real Living Wage. In other sectors the links to Fair Work are more speculative than tangible. For example, the focus on ‘good jobs’ in green industries lacks any obvious mechanism to support the different aspects of Fair Work. While the shared strategic vision for the retail sector (2022) identifies a clear set of aims, it is less obvious what the means are through which these job quality concerns can be meaningfully addressed.

16. Many of these limitations reflect the comparative weakness of the Welsh Government’s influence over central aspects of employment policy. However, there is also scope to make more of the possibilities to use procurement to drive employment standards which focus more on the quality of local employment, as well as to utilise the development of non-statutory employment quality frameworks/charters which have been used elsewhere.^{ix} This would help to shift the focus from supporting employment in the FE, to supporting the growth of ‘good jobs’ in the FE. There may also be the scope for new opportunities for devolution around employment service delivery that could also support this agenda. International experiences of career pathways programmes and/or sectoral employment strategies for example can provide relevant learning here.^x

5th September 2024

ⁱ Green, A. and Sissons, P. (2021) *Fair work in the foundational economy: key data*. Available at:

<https://www.bevanfoundation.org/resources/fair-work-in-the-foundational-economy-key-data/>

Green, A. and Sissons, P. (2021) *Fair work in the foundational economy: a review of evidence*. Available at:

<https://www.bevanfoundation.org/wp-content/uploads/2021/05/Fair-Work-in-the-FE-Evidence-Review-FINAL.pdf>

ⁱⁱ Crisp, R., Waite, D., Green, A., Hughes, C., Lupton, R., MacKinnon, D. and Pike, A. (2024). ‘Beyond GDP’ in cities: Assessing alternative futures to urban economic development’, *Urban Studies*, 61(7), 1209-1229.

ⁱⁱⁱ See [University of Glasgow - Schools - School of Social & Political Sciences - Research - Research in Urban Studies - Research activities - Current research projects - Alternative economic development approaches – RSE workshop series](#)

^{iv} Hansen, T. (2022). ‘The foundational economy and regional development’. *Regional Studies*, 56(6), 1033-1042.

^v Foundational Economy Collective (2018). *Foundational economy: the infrastructure of everyday life*.

Manchester University Press

^{vi} Russell, B., Beel, D., Rees Jones, I., and Jones, M. (2022). ‘Placing the Foundational Economy: An emerging discourse for post-neoliberal economic development’. *Environment and Planning A: Economy and Space*, 54(6), 1069-1085.

^{vii} Sissons, P. and Green, A. (forthcoming) *Facing-up to the Foundational Economy: Regional development, public policy and employment in Wales*.

^{viii} Centre for Local Economic Strategies (2023) *Birmingham Anchor Network: leadership report 2023*. Available at: [BAN-leadership-report-2023-FINAL.pdf \(cles.org.uk\)](#)

^{ix} Hughes, C., Martínez Lucio, M., Mustchin, S. and Tenquist, M. (2024) *Understanding whether local employment charters could support fairer employment practices*, Research Briefing Note, Work and Equalities Institute, University of Manchester. Available at:

[WEI Understanding whether local employment charters could support fairer employment practices DIGITAL V6 WITH ANNEX.pdf \(manchester.ac.uk\)](#)

^x Sissons, P., Green, A., and Lee, N. (2016). *Supporting Progression in Growth sectors: A Review of the International Evidence*. Public Policy Institute for Wales. Available at: www.wcpp.org.uk/wp-content/uploads/2019/06/Supporting-progression-in-growth-sectors.pdf

Agenda Item 4

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Agenda Item 7

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Agenda Item 8

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