



David Rees AM  
Chair of the External Affairs and Additional Legislation Committee  
National Assembly for Wales  
Cardiff Bay  
CF99 1NA

[SeneddEAAL@assmebly.wales](mailto:SeneddEAAL@assmebly.wales)

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Dear David

**Request for an update on progress with recommendations contained in the report on  
'How the Welsh Government is preparing for Brexit?'**

I am writing in response to your letter of 19 July, requesting an update on progress with the recommendations contained in the report "How is the Welsh Government Preparing for Brexit?". You expressed a particular interest in specific actions taken in order to fulfil the Committee's recommendations, an indication of any additional resources required to prepare for Brexit and an indication of timescales for completion of any ongoing preparedness work. Thank you for agreeing to a brief extension, which has allowed me to reflect the latest developments in my response.

You rightly highlight in your letter the continued lack of certainty about the likely outcome of negotiations. This is obviously leading to increased speculation that the UK may leave without securing a deal. It is my view that such an outcome would represent a catastrophic political failure by the UK Government, which poses very significant threats to the prosperity and well-being of the people of Wales, and indeed the whole of the UK.

I have repeatedly stressed this point to UK Government, and will continue to do so as we approach the vital European Council meetings in the autumn. Despite my strong conviction that a deal must be struck, I recognise that we have a responsibility to prepare for EU exit without a deal, just as we would prepare for any disaster which it is not in our power to prevent. But I will not pretend to the UK Government or the public that such an outcome is simply one of a range of credible alternatives; drifting into, or seeking, a "no deal" should be unthinkable.

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1NA

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400  
[YP.PrifWeinidog@llyw.cymru](mailto:YP.PrifWeinidog@llyw.cymru) • [ps.firstminister@gov.wales](mailto:ps.firstminister@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.

Wales cannot prepare for EU exit in isolation; again, a point I have regularly and strenuously stressed to UK Government. It is imperative that all the administrations across the UK work collaboratively to plan how to mitigate the most serious effects of a breakdown in the negotiations between the UK and the EU27. And that must start with the UK Government working with us as a partner in government, engaging openly with us and sharing information with us in a constructive matter. For too long and too often, they have engaged with us too little and too late on issues. Recently, we have seen encouraging signs of improved engagement in response to our pressure but there is much, much more they should do.

I will now turn to the specific recommendations in the Committee's report. These responses supplement the government response that was published in March

*Recommendation 1: We recommend that the Welsh Government urgently examines the likely parameters of various Brexit scenarios, including a "no deal scenario", and reports on progress within 6 months.*

As stated in the Government response to the Committee's report, it is important to stress that it will not be possible to completely mitigate the impacts of a no deal outcome on Wales, and it is the responsibility of the UK Government to make the necessary arrangements in many key areas.

However, as outlined above, as a responsible Government, we have been pressing UK Government to develop a programme of work to prepare for a "no deal" scenario. As a result of this pressure, UK Government has set up a UK – DA Forum, which convenes fortnightly to ensure that all administrations have a shared understanding of readiness requirements and preparations.

Within Welsh Government, a sub group of the European Transition Officials Group has been established. This meets fortnightly to ensure a joined-up approach across Welsh Government on overall operational readiness, to make sure we are ready for the practical implications of leaving the EU. The European Transition Officials Group, informed with expert advice from the European Advisory Group, works extensively on the many parameters of Brexit and this work underpins the Welsh Government's evidence based approach as we seek to influence and prepare for exiting the EU.

The UK Government has recently published the first batch in a series of Technical Notices. These notices outline the implications of a "no deal" exit on businesses, citizens and consumers, and cover issues from customs and borders, to delivering humanitarian aid programmes. More notices are planned over the coming months. Through this process, there have been positive signs of UK Government improving efforts to work with Devolved Administrations, but it is far from perfect. We have had to respond on detailed technical issues within too short timeframes, which inevitably detracts from the overall effectiveness of UK-wide preparations.

*Recommendation 2: We recommend that the Welsh Government publish both the nine sectoral analyses described by the Cabinet Secretary for Economy and Infrastructure and the outcome of the forthcoming research being undertaken by Cardiff Business School.*

As outlined in the official response to the Committee report, our initial internal work led us to commission wider research, which has overtaken the early analysis. For example, the report “EU Transition and Economic Prospects for Large and Medium Sized Firms in Wales”, commissioned by the Welsh Government and prepared by Cardiff Business School, which is available on the Welsh Government website at:

<https://gov.wales/topics/businessandconomy/economic-action-plan/eu-transition-and-economic-prospects-for-large-and-medium-sized-firms-in-wales/?lang=en>

This report includes sectoral analyses and further policy work is currently being developed to build on the initial research, looking in more detail at trade opportunities and threats for Wales.

In addition to commissioned research and an ongoing programme of direct business engagements, we are planning to utilise information already being provided to us by businesses to provide insight into Brexit preparedness and potential responses.

We are also seeking to deepen our analysis on trade between Wales, the UK and the world. There are currently no data on Wales’ exports to, and imports from, the other nations of the UK and the extent to which Welsh businesses’ outputs to other parts of the UK ultimately lead to exports from the UK as well as how Welsh businesses’ supply chains are dependent – directly and indirectly –on imports from outside the UK. Specific consideration is being given to funding work, utilising the EU Transition Fund, to develop more detailed trade data for Wales. Further details of this work, if progressed, will be made available in due course.

*Recommendation 3: We recommend that the Welsh Government improves communication with individual organisations through greater encouragement of representative bodies to cascade information to those organisations. We also recommend that individual organisations undertake two-way engagement on the issue of Brexit within their own structures.*

Against the backdrop of stymied progress in the negotiations and the absence of clarity and detail from the UK Government on the kind of Brexit they want, we have nevertheless increased our engagement with stakeholders in a range of ways.

We use a range of structures to engage with organisations across Wales, covering the private, public and third sectors, so we can have discussions on the potential impacts of Brexit, get information on their experiences and work together to prepare for the many practical implications of leaving the EU. Extensive engagement has continued through our standing fora where stakeholder organisations are represented. These fora include the Environment and Rural Affairs Roundtable Stakeholders Group, the Higher Education Brexit Working Group, the EU Exit Working Group (a sub group of Council for Economic Development) and the European Advisory Group, where we have recently expanded the membership.

Direct departmental engagement with stakeholders supplements these set piece meetings, allowing Brexit-related issues to be discussed; for example in relation to health at bi-monthly meetings with the Royal College of Nursing, British Medical Association, and Trades Unions.

Cabinet Secretaries and Ministers have also increased Brexit stakeholder engagement in the months since January, with a range of activity taking place across Wales. Examples include:

- the Cabinet Secretary for Economy and Transport held Brexit trade talks with North Wales businesses, chaired the EU Exit Working Group, and spoke at the Wales Export Conference of 2018 on the in Welsh Government's proactive approach to helping companies prepare for life after Brexit;
- the Cabinet Secretary for Energy, Planning and Rural Affairs has continued to chair her Brexit Roundtable and also held a joint stakeholder event with the Secretary of State for Wales;
- the Cabinet Secretary for Finance addressed two WLGA conferences, and spoke at a NHS research and development conference in Newport and at a Children in Wales event at the Eisteddfod; and
- the Minister for the Welsh Language and Lifelong Learning met representatives of further education at Colegau Cymru Conference.

With increased speculation on a 'no deal' Brexit, the European Transition Team and departmental officials have also engaged directly with a range of stakeholders – including the Federation of Small Businesses Wales, Welsh Local Government Association, Welsh NHS Confederation, and the Countryside Landowners Association - to discuss Brexit issues and how we can work together to better inform their members on the implications of the various potential forms of Brexit. These discussions will continue through to March 2019 and beyond. We have also written to the Chairs of the Local Resilience Fora asking them to consider civil contingencies action.

*Recommendation 4: We recommend that the Welsh Government issues clear and accessible guidance to businesses, public sector organisations, and the third sector on what the implications of various Brexit scenarios, including a “no deal” scenario, could mean for those organisations. This guidance should be issued as soon as practically possible after the publication of this report.*

We are no closer to knowing the form Brexit will take, meaning confusion and uncertainty remain. We have produced detailed, evidence based policy proposals on how the right kind of Brexit can protect jobs, and we have put forward proposals on trade, immigration, the future of the UK and a range of other issues once we are out of the EU.

The Technical Notices, explained above, go some way to outlining the implications of a “no deal” exit on businesses, citizens and consumers. Where necessary, Welsh Government is supplementing this information with direct communications to impacted sectors. For example, the Deputy Chief Executive of the NHS wrote to health bodies following the release of the first batch of notices. The Welsh European Funding Office (WEFO) is writing to all its stakeholders following the publication of the notices on structural funds and other EU funded programmes.

Policy areas have detailed discussions with their stakeholders. For example, within the Energy, Planning and Rural Affairs portfolio, we have been working closely with stakeholders to examine the possible threats and opportunities of Brexit, including publishing in February 2018 an EU Exit scenario report for the food, fisheries, farming, forestry and the environment sectors. The report, developed with stakeholders, outlines the implications of five scenarios, including defaulting to WTO terms, an EU-UK Free Trade Agreement and complete access to the single market with new FTAs with third countries.

The Welsh Government is preparing to launch a new Brexit Portal in the autumn. This will include a diagnostic tool to help business assess their level of preparedness for Brexit. We are planning to use the data which is generated by businesses completing the diagnostic to further strengthen our understanding of the level of business preparedness and where Welsh Government intervention and support can add the greatest value.

Our support for stakeholders will continue, we will work closely with them as we consider carefully the implications of developments in the negotiations, and how they will impact on Wales.

*Recommendation 5: We call upon the Welsh Government to seek clarity from the UK Government on how the proposed Shared Prosperity Fund would be allocated and administered.*

As noted in the Government response to the Committee report, economic development is a devolved competence and the possibility of a centrally-administered UK fund is not compatible with the distinctive approaches to regional development adapted by the different UK nations.

The Welsh Government continues to press UK Government to explain how the proposed UK Shared Prosperity Fund is to operate, whilst ensuring that Wales' devolved economic development competence is respected and that Wales does not lose a penny as a result of Brexit.

To date, no specific details of the proposal have been made available, though it is hoped that a meeting between Welsh Government and UK Government officials in September will mark the start of meaningful dialogue.

*Recommendation 6: We recommend that the Welsh Government – in conjunction with the Higher Education Working Group – publish any work that it has conducted to date in reviewing its strategy in relation to research and innovation in the higher education sector to take account of the implications of Brexit in this area.*

The Reid Review was published by the Welsh Government on 6<sup>th</sup> June. Reid made three recommendations: that the Welsh Government should increase the visibility and influence of Welsh research by creating a new Welsh Research and Innovation London Office; that the Welsh Government strengthens the Welsh research base and enables Welsh researchers to attract a greater share of UK-wide funding by implementing Diamond's recommendation for

quality related research funding and creating an additional Future of Wales Fund specifically to incentivise Welsh researchers to win funding from outside Wales; and that the Welsh Government increases the visibility, coherence and impact of research and innovation in Wales by creating a single overarching brand for its innovation activities. The first recommendation is being taken forward. The Welsh Government is considering still its responses to Reid's 2<sup>nd</sup> and 3<sup>rd</sup> recommendations

*Recommendation 7: We recommend that the Welsh Government set out in its response to our report how it intends to spend the anticipated consequential allocations arising from additional money being spent at UK level to prepare for Brexit and clarifies whether these will be ring-fenced for supporting activities in relation to Brexit in Wales.*

Through our £50m European Transition Fund we are providing direct financial support to help stakeholders prepare for Brexit. This includes support to our agriculture and fisheries industry sectors including £2.15 million for the development of the red meat sector in Wales, a £150,000 to help deliver a Brexit support package to all 22 local authorities in Wales, a £3.5m for a programme run by Wales' universities to drive international partnerships and promote Wales as a study destination in a post Brexit world and £200,000 to help the social care sector in Wales for research into how the Brexit process could impact on the workforce and to help the sector plan for any eventualities.

Since the UK voted to leave the EU on June 23 2016, the Welsh Government has been doing everything possible to secure a smooth and successful Brexit for Wales. The approach we have taken to managing this critical work included creating the European Transition Team to give a strategic lead and coordinate the Welsh Government's 'Brexit position', focusing on Brexit policy, negotiations, preparedness and legislation. The team has worked closely with policy and other teams across the organisation to support Ministers in protecting and promoting the interests of Wales.

Brexit is generating large volumes of new work in areas such as legislative correction and reform as well as demanding new capability in areas like rural policy and trade that will enable us to function successfully in a post-Brexit world. So far, we have managed this challenging work primarily through reprioritising resource internally, moving experienced staff into dedicated Brexit roles. Additional staff have been recruited externally to work in Brexit roles related to the environment and rural affairs, and a further phase of external recruitment and internal redeployment will be starting this month.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Carwyn Jones', written in a cursive style.

**CARWYN JONES**