



David Rees AM
Chair of the External Affairs and Additional Legislation Committee
National Assembly for Wales
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1 November 2018

Dear David

Re: 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 8 October requesting further clarifications about Brexit preparedness. You requested further information about the UK Government's technical notices and in particular the engagement the Welsh Government had prior to their publication and any follow up action that will be taken. You also asked for further information about legislation in a 'no deal' scenario, and the EU Transition Fund.

First of all, as you know, we have been clear that a 'no deal' outcome to the negotiations would be catastrophic for Wales and the UK. We continue to urge the UK Government and the European Union to make the compromises needed to avoid such a result.

Nevertheless, officials are continuing to plan for all possible outcomes including a 'no deal' scenario and Brexit planning is intensifying. However it is not possible to prepare in isolation and the ability to plan is limited by what the UK Government shares. Despite this, the Welsh Government has published detailed, evidence-based Brexit proposals and a blueprint for negotiations on how to protect jobs and Wales' economy.

UK Government's technical notices

The technical notices (TNs) provide important advice for businesses, citizens and public bodies on what to do if there is a 'no deal' Brexit

The UK Government have published 106 TNs in four batches (23 August, 13 September, 24 September and 12 October 2018). They cover a broad range of issues but it is disappointing that in some key areas (e.g. rights of citizens), no guidance has been published.

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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.

Whilst we welcome the UK Government's engagement with Welsh Government on the technical notices, it has been far from perfect. While all of the Technical Notices were shared in draft, in some cases, UK Government departments provided insufficient time for the Welsh Government to provide comments on the basis of proper consideration. Whilst final versions of the TNs were shared with officials – generally only a matter of hours before publication - there was no opportunity to effect any real change at that point and it was not clear in advance whether our earlier comments had been taken on board.

As a whole, the TNs paint a negative picture of the dire consequences of a no deal Brexit. The overarching theme of the TNs is that many processes and ways of doing business currently taken for granted will significantly change or come to an abrupt halt. The majority of the TNs are of interest to business, and citizens of Wales.

The TNs outline disruption, barriers, red tape and new burdens under a 'no deal'. They include making it much more difficult for holidaymakers to travel with their cars or with their pets. They mean less protection for consumers buying goods or taking holidays abroad and higher prices for electricity and other goods and services. UK citizens could face new passport requirements. Even more significantly, they reveal potentially huge disruption for Wales' aerospace, food and chemicals businesses. They raise further uncertainty for employers in significant sectors – especially Wales' car manufacturers, shipping companies, hauliers and exporters. The TNs in the last batch of notices highlight the very major problems service suppliers will have in selling into and in some cases even operating in EU markets.

The TNs outline huge potential changes that raise questions about the time, capacity, expertise and ability of firms (especially small firms) to be able to adapt. Far from freeing up the private sector to grow, a 'no deal' Brexit imposes huge new burdens on trade with the EU, Wales' biggest export market.

The TNs simply underline the key message of the Welsh Government: that a no deal scenario must be avoided.

Welsh Government Communications

In parallel to the Technical Notices, the Welsh Government has already undertaken steps to provide its own information as well as engaging directly in discussions with stakeholders on the potential impacts of a 'no deal' Brexit .

The Welsh Government has also set up groups to engage with stakeholders. The Health & Social Care Brexit Ministerial Stakeholder Advisory Forum was set up following an initial Brexit round table event organised by the Welsh NHS Confederation on 11 September. It provides a forum for engagement between the Welsh Government and its key stakeholders across the health and social care system in planning for Brexit. It is made up of senior leaders from across the health and social services sector, and led by the Cabinet Secretary for Health and Social Services and the Minister for Children, Older People and Social Care. The first meeting was held on 25 October. An Environment and Rural Affairs Brexit Roundtable Stakeholder Group was set up after the referendum, as a forum for engagement and collaboration between the Welsh Government and the food, fisheries, farming, forestry and the environment sectors.

In September the Brexit Business Portal was launched by the Cabinet Secretary for Economy and Transport: this provides practical advice for businesses to help them prepare for a range of Brexit scenarios including a 'no deal' one. The Portal has been designed to provide companies in Wales with up-to-date information and advice and guidance on a

range of crucial issues including international trading and workforce planning. Feedback from business has been positive.

Where necessary officials have supplemented the UK Government technical notices with additional guidance. Following the publication of the structural funds and the Treasury guarantee technical notices, the Welsh European Funding Office wrote out to stakeholders to expand what that would mean in a Welsh context. There have also been communications with the Welsh NHS. When I appeared before the Committee in September, I said that I would provide more information about these communications and the letters accompany this letter. Officials will continue to consider what further information may be needed over the coming weeks and months.

Legislation

Turning now to legislative preparations. The Welsh Government has identified the changes that need to be made to the statute book in the event of no deal, in order to have a functioning statute book at the point of exit. A programme of subordinate legislation has been created to make these corrections in time for exit day.

Normally, Welsh Government is that where powers lie with the Welsh Ministers, it is the responsibility of the Welsh Ministers to legislate for Wales. However, in the extraordinary circumstances of the UK's withdrawal from the EU, the Welsh Government has recognised that the UK Government could make the corrections in certain devolved areas in order to have a fully operational statute book on exit day, where there is no divergence between the Welsh Government and the UK Government on the policy for the correction.

We are currently anticipating that around 55 Exit SIs will be laid in the National Assembly between November and February. The majority of the SIs will be made using EU (Withdrawal) Act powers, though a very small number may be made under other existing powers. This number is subject to change, because, as drafting is finalised, some SIs may be merged or disaggregated.

We are anticipating around 150 SIs to be laid in Parliament to legislate in areas devolved to Wales, though this number is also subject to change as drafting progresses for the reasons stated above or because policy divergences become apparent during drafting and so the Welsh Government decides to legislate for Wales.

The first UK Exit SI in areas devolved to Wales to be made under the relevant sections of the EU (Withdrawal) Act was laid in Parliament on 24 October, and the laying process will continue over the coming months. The Welsh SIs will start to be laid from November. However, due to the interdependencies with the changes made by the UK legislation a significant proportion of the Welsh SIs cannot be laid before the corresponding UK SIs are laid. This means that any delay to the UK SI programme will result in a subsequent delay to the Welsh SI programme.

EU Transition Fund

The £50m EU Transition Fund, previewed at the final Budget last year and announced by the First Minister earlier this year, will include specific funding allocations made as part of the draft Budget 2019-20.

The EU Transition Fund has been designed to help private, public and third sector organisations prepare for Brexit. It will provide direct financial support to sectors across Wales to plan for the significant changes associated with leaving the European Union.

The Welsh Government has been working with partner organisations including the Welsh Local Government Association, Natural Resources Wales, Hybu Cig Cymru, NHS Confederation and the Wales Council for Voluntary Action among others.

The interventions we are supporting with the EU Transition Fund to date includes £5m to support farming, food and fishing sectors post-Brexit; £200k for research work on likely impacts and implications for social care workforce; £3.5m support for Welsh Universities to drive international partnerships and promote Wales as a study destination; £6m funding for training and up-skilling the workforce in Wales' automotive and aero-industry sectors; and £150k support for the WLGA to facilitate authorities with plans and preparedness for Brexit.

In addition, on 24 October we announced a £7.5m 'Business Resilience' scheme which seeks to assist businesses as they adapt to the new business environment, developing the expertise and processes necessary to support business continuity and explore new growth opportunities, supported with specialist advice. It will significantly enhance our overall understanding of trade flows between Wales and the rest of the UK and beyond to inform strategic decision-making in the future. It will assist businesses in boosting capacity to sell Wales to the world alongside strengthening Wales' visibility as a destination for trade and investment, raising the profile and visibility of Welsh Government services and support to business and underpinning business confidence.

To underpin this work with a contribution of £350k from the Fund we are establishing a partnership with the OECD to inform both our future regional investment approach and the implementation of the Economic Action Plan. This will enhance our understanding of international best practice, inform our transition from EU funding systems as we create a new regional model and support our delivery of the Economic Action Plan.

Recent announcements by Airbus illustrate the risks which Wales face as a result of the uncertainty surrounding Brexit. Our support for the skills and training needs of workers in some of the economically significant business supply chains at this uncertain time demonstrates our positive action and a commitment to them as employers and their employees.

We continue to position Wales as a supportive place to do business and demonstrate the priority we give to up-skilling and retraining at this challenging time. Any opportunity to up-skill a workforce with transferable skills is imperative in order to continue showcasing Wales on the global stage as a desirable place for business, especially in a post-Brexit world.

Our direct skills support programme requires a 50% matched contribution, and our support for Airbus for example will in turn result in further investment in the workforce by the company. Our funding support will also provide Welsh Government the opportunity to lever further outcomes including, providing a larger number of apprentices than available to the wider labour market, engagement with Wales' training providers including further and higher education as well as schools. Also engagement with the Regional Skills Partnerships to ensure that the training being put forward for additional direct support is of high-quality, desired by the sector and that the skills being funded are transferable. The intervention is therefore designed in a way to provide support for employees to increase skills in areas that will help future employment and career prospects.

Our support for the WLGA is designed to enhance knowledge and understanding and help identify subsequent preparation required across local government. The WLGA will commission research, arrange a series of events and workshops on Brexit, share resource materials and toolkits for LAs to customise and use locally, and will cover Brexit related matters such as workforce, future funding programmes, networking and partnerships, procurement, State aid and business support.

Of course, alongside this support to the WLGA there are other bespoke interventions such as research on social care workforce and dependency on EU nationals which will aid with local government planning and preparations as the UK leaves the EU. Work is already underway to ensure we support EU nationals contend with the Settled Status scheme and to safeguard social cohesion post Brexit, and further details on these work streams will be shared with the Committee once finalised.

Wales currently receives £370m a year of EU structural investment funding, much of which is used to support local authorities. We continue to press for full replacement investment to allow us to continue funding structural reforms, including with local government at the same level.

I hope that this is of use in continuing to update the Committee on the Welsh Government's plans for preparedness as we move closer to March 2019

Yours sincerely

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

CARWYN JONES