

Agenda – Economy, Trade, and Rural Affairs Committee

Meeting Venue:	For further information contact:
Video Conference via Zoom	Robert Donovan
Meeting date: 20 January 2022	Committee Clerk
Meeting time: 09.30	0300 200 6565
	SeneddEconomy@senedd.wales

Private pre-meeting (09.15–09.30)

In accordance with Standing Order 34.19, the Chair has determined that the public are excluded from the Committee's meeting in order to protect public health. This meeting will be broadcast live on www.senedd.tv

Public meeting (09.30–12.50)

1 Introductions, apologies, substitutions and declarations of interest
(09.30)

2 Paper(s) to note
(09.30)

2.1 Letter from the Minister for Education and Welsh Language

(Pages 1 – 3)

Attached Documents:

Professional Qualifications Bill



Senedd Cymru
Welsh Parliament

2.2 Letter from the Chair of the Finance Committee

(Pages 4 – 6)

Attached Documents:

Welsh Government Draft Budget 2022–23

2.3 Letter from Minister for Rural Affairs and North Wales, and Trefnydd

(Pages 7 – 8)

Attached Documents:

Water Resources (Control of Agricultural Pollution)(Wales) Regulations 2021

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

(Pages 9 – 10)

Attached Documents:

The Sea Fisheries (Amendment etc.) (No. 2) Regulations 2021

2.5 Letter from Meat Promotion Wales

(Pages 11 – 13)

Attached Documents:

Additional information following the meeting on the 11 November

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

(Pages 14 – 15)

Attached Documents:

Whelk Fishing Permit (Wales) Order 2021

2.7 Letter form the Minister for Climate Change

(Pages 16 – 17)

Attached Documents:

Pesticides (Revocation) (EU Exit) Regulations 2022

2.8 Letter from the Chair Economy, Trade and Rural Affairs Committee to Dylan Morgan Head of Policy, NFU Cymru

(Pages 18 – 19)

Attached Documents:

Review of the Water Resources (Control of Agricultural Pollution) (Wales) Regulations

2.9 Letter from Rachel Sharp – Wildlife Trusts Wales

(Pages 20 – 21)

Attached Documents:

Review of The Water Resources (Control of Agricultural Pollution) (Wales) Regulations 2021

2.10 Letter from the Chair Public Accounts and Public Administration Committee

(Pages 22 – 23)

Attached Documents:

Letter to the Chief Executive re the use of term BAME

2.11 Letter from the Minister for Economy

(Pages 24 – 27)

Attached Documents:

Additional information following the committee meeting on the 11 November

2.12 Letter from the Minister for Education and Welsh Language to Rt Hon Nadhim Zahawi MP, Secretary of State for Education

(Pages 28 – 29)

Attached Documents:

Skills and Post-16 Education Bill

2.13 Letter from the Minister for Economy

(Page 30)

Attached Documents:

Common Framework for Late Payment

2.14 Letter from the Minister for Finance and Local Government

(Pages 31 – 32)

Attached Documents:

Correction of the Record – Debate on the Legislative Consent Motion on the Rating (Coronavirus) and Directors Disqualifications (Dissolved Companies) Bill, 23 November 2021

2.15 Letter from Wales Environment Link

(Pages 33 – 35)

Attached Documents:

Supplementary evidence to the Control of Agricultural Pollution Regulations Inquiry

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

(Pages 36 – 37)

Attached Documents:

The Official Controls (Extension of Transitional Periods) (Amendment) (No. 2) Regulations 2021

2.17 Letter from the Chair Legislation, Justice and Constitution Committee

(Pages 38 – 39)

Attached Documents:

Inter-Institutional Relations Agreement

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

(Page 40)

Attached Documents:

Joint Fisheries Statement (JFS)

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

(Pages 41 – 42)

Attached Documents:

The Official Controls (Temporary Measures) (Coronavirus) (Amendment)
(No.3) Regulations 2021

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

(Page 43)

Attached Documents:

Joint fisheries statement (JFS) laying

2.21 Letter from the Llywydd

(Pages 44 – 52)

Attached Documents:

Review of the committee timetable and committee remits

3 Welsh Government Draft Budget 2022–23: Evidence session with the Minister for Rural Affairs and North Wales, and Trefnydd

(09.30–11.00)

(Pages 53 – 95)

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

Dean Medcraft, Director, Finance and Operations

Tim Render, Director, Land, Nature and Food

Christianne Glossop, Chief Veterinary Officer

Gareth Furminger, Senior Finance Manager

Attached Documents:

Research brief

Evidence from Minister for Rural Affairs and North Wales and Trefnydd

Break (11.00–11.15)

4 Welsh Government Draft Budget 2022–23: Evidence session with the Minister for Economy

(11.15–12.45)

(Pages 96 – 155)

Vaughan Gething MS, Minister for Economy

Dean Medcraft, Director Finance and Operations

Sioned Evans, Director Business and Regions

Huw Morris, Group Director SHELL

Attached Documents:

Research brief

Evidence from the Minister for Economy

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

(12.45)

6 Private

(12.45–13.15)

(Pages 156 – 159)

Welsh Government Draft Budget 2022–23: Consideration of evidence

Committee Strategic Review

Review of the committee timetable and committee remits

Attached Documents:

Committee Strategic Review



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

6th December 2021

Dear Paul

I am writing to inform the Committee that the Professional Qualifications Bill (the Bill) has now progressed through the House of Lords Report stage. Amendments tabled by the UK Government and agreed at Report Stage make provision falling within the legislative competence of the Senedd, and I have today laid a Supplementary Legislative Consent Memorandum (Memorandum No.2) before the Senedd.

House of Lords Report Stage

The UK Government tabled three amendments on 2 November for consideration at Lords Report Stage which took place on 9 November, where these amendments were agreed. The UK Government has made amendments to Clause 1 of the Bill and inserted additional clauses 14 and 15, as agreed at Lords Report Stage. All three clauses make provision of a kind that the Senedd could legislate for in respect of devolved areas, and remains within the legislative competence of the Senedd.

Clause 1 - Power to provide for individuals to be treated as having UK qualifications

The clause provides a power for the “appropriate national authority” to provide by regulations which professional qualifications or other experience obtained outside the UK may be recognised within the UK. Regulations may only make provision for individuals who satisfy the criteria specified in this clause, namely that they have received overseas qualifications or experience; and that a regulator has determined their qualifications or experience is substantially the same as that required by the regulator or, if not, that they have taken such other experience or qualifications as necessary. The amendment to this clause makes further provision about the additional conditions that may be specified in regulations.

Clause 14 - Protection of regulator autonomy

This new clause prevents the appropriate national authority making regulations under section 1, 3 or 4 of the Bill unless satisfied that the conditions in subsections (2) and (3) of new clause 14 are met. This clause has been added to provide assurance to regulators

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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.

that the appropriate national authority may legislate only where doing so would not adversely affect regulatory autonomy.

Whilst the amendment may offer some comfort to regulators, the difficulty remains that it is for the appropriate national authority alone to determine whether or not it is satisfied that either of these conditions are met, and that this is not for each individual regulator to determine.

This amendment applies equally to each of the appropriate national authorities, including the Welsh Ministers where applicable. This means that where the Secretary of State or Lord Chancellor are acting as the authority, they have the power to determine that the additional conditions are met, even when regulating in devolved areas which are contrary to the policy aims of Welsh regulators or the Welsh Ministers.

Clause 15 – Consultation with regulators

This new clause requires the appropriate national authority to consult a regulator of a regulated profession before making regulations under clause 1, 3 or 4 if the authority considers that the regulator is likely to be affected by the regulations or it is otherwise appropriate to consult the regulator. Whilst some regulators may welcome this concession, it does not go so far as to prevent the appropriate national authority from making regulations which the regulators have opposed during such consultation.

Similar to Clause 14, this amendment applies equally to each of the appropriate national authorities, including the Welsh Ministers where applicable. However, the amendment does not prevent the Secretary of State or Lord Chancellor, when acting as the authority, from making regulations in devolved areas which are contrary to the policy aims of Welsh regulators or the Welsh Ministers.

Welsh Government position

While I welcome the engagement of the UK Government to date in respect of the need to make changes to the Bill as it stands, I consider that further amendments are needed to address my concerns in respect of the concurrent powers in the Bill and I therefore I cannot recommend the Senedd gives its consent to these provisions being included in the Bill.

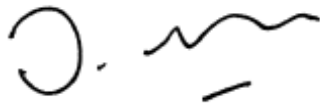
Legislative Consent Memorandum

As you are aware, Standing Orders require a Legislative Consent Memorandum to be laid “normally” within two weeks of the tabling of UK Government amendments, in this case by 16 November. The amendments raise a number of complex constitutional issues the analysis of which has resulted in a delay to laying.

Should there be any further amendments be tabled or agreed during the passage of the Bill through the House of Commons which require the legislative consent of the Senedd, a further Supplementary Legislative Consent Memorandum may be required and I will write to the Committee and Members of the Senedd prior to the plenary debate.

I have written in similar terms to Huw Irranca Davies MS, Chair of the Legislation, Justice and Constitution Committee and have copied this letter to all Members of the Senedd.

Yours sincerely,

A handwritten signature in black ink, consisting of a stylized 'J' followed by a series of wavy lines and a short horizontal stroke.

Jeremy Miles AS/MS

Gweinidog y Gymraeg ac Addysg

Minister for Education and Welsh Language

Senedd Cymru
Welsh Parliament

Agenda Item 2.2

Welsh Parliament
Finance Committee

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

07 December 2021

Dear Committee Chairs

Welsh Government Draft Budget 2022-23

On 16 July 2021, I wrote to you to share the Finance Committee's thinking in relation to our programme of engagement for the forthcoming Welsh Government's Draft Budget and our approach to scrutiny. I am now writing to provide an update on this work.

Engagement

Between 17 September and 26 November 2021, the Finance Committee undertook a consultation seeking information on the Draft Budget on behalf of all Committees. The consultation responses are available on the Finance Committee webpage.

In addition, a series of focus groups were held to gather the views and experiences of citizens of Wales who are service users within particular fields or impacted directly by draft budget decisions.



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A report summarising the key themes and issues from these focus groups will be available mid-December and the link will be circulated to your Committee clerks.

Budget focus

It is likely that the 2022-23 Draft Budget will continue to be impacted by the recovery from the Covid-19 pandemic. In addition, the Finance Committee has identified a number of areas which we would like to see the focus of scrutiny, these are:

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

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

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



Yours sincerely

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

Peredur Owen Griffiths MS
Chair of the Finance Committee

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



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

8 December 2021

Dear Paul,

Thank you for your letter of the 30 November. You will be aware, I supported the Senedd's instruction in June for a relevant committee to 'urgently review' the Water Resources (Control of Agricultural Pollution) (Wales) Regulations 2021. I can assure you I fully intend to attend the ETRA Committee and provide evidence. My position remains unchanged in suggesting the Committee session to receive my evidence be delayed until the Judicial Review judgment has been issued and the constraints on my evidence no longer apply.

As you have recognised in your letter, the ongoing judicial review adds a level of complexity. The evidence submitted to the court was substantial and covered extensive areas of the policy development process and the content of the Regulations. The judge has yet to make his decision and there appears to be little scope for me to provide the full meaningful responses I would like to give the Committee the level of scrutiny the subject deserves.

As a Minister, I am the responsible decision maker in respect of the Regulations and any evidence provided to the Committee, which is subject to public scrutiny, would be treated very differently by the courts compared to other participants. It is important to note representatives attending the Committee hearing to date differed from those providing witness statements to the court. In addition, the evidence provided by NRW, the farming unions and the environmental bodies as part of the Committee review is unlikely to have a similar impact on the court's decision.

Whilst your letter refers to the possibility of a long delay due to the potential for appeal, the constraints would likely be limited to the grounds of the appeal and would not be the equivalent of a re-hearing. An appeal would normally be on a point of law and it is anticipated, even were an appeal to be made and, subject to the grounds, there should be adequate scope to provide detailed answers to a relatively broad range of questions following any initial judgment.

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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.

Please be assured once a judgment has been delivered, and the outcomes known, I look forward to engaging fully with the Committee and I remain as committed to open scrutiny of these Regulations by Committee as I did in supporting the original instruction in June. My officials will continue to liaise with the Committee clerks regarding suitable dates.

Regards,

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

Lesley Griffiths AS/MS

Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd
Minister for Rural Affairs and North Wales, and Trefnydd

Our ref / MA/LG/3874/21

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

08 December 2021

Dear Paul,

The Sea Fisheries (Amendment etc.) (No. 2) Regulations 2021

The above named regulations (the “2021 Regulations”) relate to measures which apply to fisheries, fish stocks and technical matters extending 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 2021 Regulations:

- Makes amendments to the landing obligations contained in retained EU and the four discard plans which specify exemptions from the landing obligation (“discard exemptions”). The 2021 regulations make amendments to the individual discard exemptions and extends their application from January 2022 for a further three years;
- Extends the application of the Multiannual Programme for the collection and management of fisheries data (Commission Implementing Decision (EU) 2019/909 and Commission Delegated Decision (EU) 2019/910 (as amended in retained EU law)) for a further three years to the end of December 2024;
- Make amendments to provisions regulating seabass fisheries, extending and increasing the level of European seabass which may be caught as bycatch to the Scottish and Northern Irish zones of the British fishery limits. This will allow fish to be landed which were previously wastefully discarded. The mesh size that may be used in static nets to take seabass in the English Channel is also being increased;

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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.

- Revokes the now expired article 12a of the retained Council Regulation (EU) 2020/123 (fixing fishing opportunities in Union and non-Union waters) relating to the closed season for sandeel fishing in UK waters. Management of sandeel fisheries will be exercised by fishing vessel licence conditions in future;
- Updates the UK Illegal, Unreported and Unregulated (IUU) Fishing Vessel List to align with decisions made by Regional Fisheries Management Organisations (RFMOs) of which the UK is now a member as an independent Coastal State.

I am writing to let you know I have given my consent to the Secretary of State to make the 2021 Regulations so the provisions therein apply in Wales. I understand the 2021 Regulations will be laid before the Houses of Parliament on 9 December and the SI will be subject to the negative procedure.

In these circumstances when there is a need to maintain regulatory fisheries frameworks across the UK, it is appropriate I consent to the UK Government legislating on our behalf on the several and wide ranging number of matters traversed by the 2021 Regulations. Should I withhold consent, these matters would need to be made through legislation made by the Welsh Government.

I am copying this letter to the Counsel General and Minister for the Constitution and writing in similar terms to the Chair of the Legislation, Justice and Constitution Committee.

Regards,

A handwritten signature in cursive script that reads "Lesley Griffiths".

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



Hybu Cig Cymru Meat Promotion Wales

Agenda Item 2.5

Our Ref: GH/KH/Cons.

8 December 2021

Economy, Trade and Rural Affairs Committee
Welsh Parliament
Cardiff Bay
Cardiff
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Email: SeneddEconomy@senedd.wales

Dear Paul

Priorities for the Committee - Farming Organisations - Questions not reached

Thank you for the opportunity to attend the Committee's meeting on 11 November 2021. I welcomed the opportunity to contribute to the discussion on the Committee's priorities for the Sixth Senedd.

In response to the request for comments on whether enough is being done to promote the UK Geographical Indication (GI) Scheme, I would make the following comments.

Background

As a result of the UK leaving the EU, on the 01 January 2021 the EU Protected Food Name Scheme was replaced in the UK by a UK GI Scheme. As Welsh Lamb and Welsh Beef are protected under the EU Protected Food Name (PFN) Scheme as products with PGI status, these changes relate to both Welsh Lamb and Welsh Beef. PGI Welsh Lamb and PGI Welsh Beef are now protected by EU and UK legislation.

PGI status provides a guarantee of provenance and a mark of quality; reinforcing consumer confidence in the product and allowing it to be sold at a premium. Both domestic and global gains rely on effective premiumisation and the ability to

differentiate and promote branded products, as such HCC considers the status of PGI to be of enormous economic importance to the Welsh red meat industry.

Promotion

During 2021, HCC reviewed the Welsh Lamb and Welsh Beef brand guidelines in light of the changes, and updated branding guidance was shared with the industry. A dual approach for Welsh Lamb and Welsh Beef branding is being adopted, where:

- The EU PGI logo will continue being used (alongside the Welsh Lamb/ Welsh Beef trademark logo) on products being sold into the EU (and Northern Ireland).
- The UK GI logo will be used (alongside the Welsh Lamb/ Welsh Beef trademark logo) on products being sold within GB and into other international markets (beyond the EU).

The deadline for the UK GI logos introduction is January 2024, however HCC is encouraging businesses to adopt the new UK GI logos at their earliest opportunity.

Recognition of the new UK GI scheme and logos is therefore crucial. Recognition of the EU PFN scheme logos had been rising in the UK since the schemes' introduction in 1993, and the switch to new logos in the UK will obviously have a negative effect, reducing the logo awareness back to zero. HCC would therefore encourage Government to commit sufficient resources towards a promotion/ awareness campaign, to encourage sufficient promotion amongst the retail sector and consumers.

A market and promotion scheme (like the EU promotional scheme) could be introduced to raise awareness of the UK GI scheme and its products within the UK. Significant support was obtained by HCC in the past through European Union funds for promoting foods with PGI status - HCC benefited from two rounds of this funding, focused on marketing of Welsh Lamb and Welsh Beef within the EU (including the UK). The EU scheme was funded 50% by the EU; and 50% by HCC.

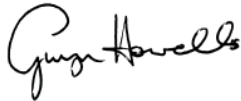
Enforcement

Resourcing the enforcement of the UK GI scheme is also important, to ensure it is fully robust. Historically, there has been a limited amount of enforcement action taken in regard to PFN product protection within the UK, partly as a result of a lack of bespoke enforcement legislation in this area, but also due to the lack of resourcing and understanding amongst enforcement authorities.

We would also urge the Government to maintain the EU's current robust approach to assessing new applications in the new UK GI scheme, as it is important that only products which demonstrate genuine quality credentials, linked to a defined geographical area, be awarded UK GI protection.

I am content to meet to discuss this further if needed.

Your sincerely

A handwritten signature in black ink that reads "Gwyn Howells". The signature is written in a cursive style with a large initial 'G'.

Gwyn Howells
Chief Executive



Llywodraeth Cymru
Welsh Government

Our ref: MA-LG-3970-21

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

Paul.Davies@senedd.wales

9 December 2021

Dear Paul,

On 7 December I signed the Whelk Fishing Permit (Wales) Order 2021. The purpose of the Order is to conserve whelk in the Welsh zone and ensure the sustainability of the fishery through adaptive management.

The Order applies to all UK and foreign licensed fishing vessels who wish to fish for whelk in the Welsh zone and bring the following into statute:

Permits - anyone fishing for whelk using pots in the Welsh zone now require an annual permit with conditions. From 2023 onwards there will be a fee for this permit.

Permit Period - the annual permitted fishing season will run from 00:00 on 1 March each year to 23:59 on the last day of February the following year.

Annual Catch Limit (ACL) - An Annual Catch Limit (ACL) of 5298 tonnes for the permitted fleet for the first permit period will be in place. Annual whelk surveys will begin to build up data to set the annual catch limit based on actual stock levels.

Flexible Monthly Catch Limit (MCL) – All permit holders will be issued the same MCL in any given month.

Monthly Catch Returns – All permit holders will be required to submit an accurate catch return.

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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.

Further details about the Order will be available on gov.wales from 14 December 2021.

Regards,

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

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



Huw Irranca-Davies MS Chair,
Legislation, Justice and Constitution Committee
Senedd Cymru
SeneddLJC@senedd.wales

09 December 2021

Dear Huw,

I am writing to inform the Committee of the intention to consent to the UK Government making and laying the Pesticides (Revocation) (EU Exit) Regulations 2022 by 18 January.

I have received a letter from Victoria Prentis MP, Minister for State for Farming, Fisheries and Food asking for consent in respect of this legislation. This Regulation intersects with devolved policy and will apply to Wales. The provisions could be made by Welsh Ministers in exercise of our own powers. The Regulation will extend to England, Scotland and Wales and a similar request for consent has been sent to Scottish Ministers.

The Regulations will be made in exercise of the powers conferred by section 8(1) of the European Union (Withdrawal) Act 2018 (c. 16) in order to address failures of retained EU law to operate effectively and other deficiencies (in particular under section 8(2)(a)) arising from the withdrawal of the UK from the European Union.

These Regulations revoke redundant retained direct EU legislation which forms part of the plant protection product ("PPP") and maximum residue level ("MRL") regulatory regimes, so that these regimes can continue to operate effectively following the end of the implementation period. The revocations concern direct EU legislation which came into force towards the end of the implementation period (and so was not addressed by the earlier EU Exit SIs) and which is given effect in Great Britain through transitional provisions in the earlier EU Exit SIs and the national statutory registers. As a result, the retained direct EU legislation to be revoked is no longer required.

Although the Welsh Government's general principle is that the law relating to devolved matters should be made and amended in Wales, on this occasion given the policy alignment between all three governments, and the clear advantages given the subject matter of the law relating to England, Scotland and Wales being accessible in a single instrument, I consider that legislating separately for Wales would be neither the most appropriate way to give effect to the necessary changes nor a prudent use of Welsh Government resources given other important priorities.

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Correspondence.Julie.James@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.

I am copying this letter to Climate Change, Environment, and Infrastructure Committee, SeneddClimate@senedd.wales and Economy, Trade, and Rural Affairs Committee, SeneddEconomy@senedd.wales for their information.

Yours sincerely

A handwritten signature in blue ink that reads "Julie James". The signature is written in a cursive style with a large initial 'J'.

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

Agenda Item 2.8

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

**Economy, Trade and
Rural Affairs Committee**

Dylan Morgan
Head of Policy, NFU Cymru

9 December 2021

Dear Dylan

**Review of The Water Resources (Control of Agricultural Pollution) (Wales) Regulations
2021**

Thank you for your letter of 2 December regarding evidence received at the Committee's meeting on 25 November from environmental organisations.

I note the points made in your letter, which were formally considered by the Committee as a paper to note at our meeting on 9 December. Your letter will also be published on our website alongside other evidence to the review.

With regard to the point made by Rachel Sharp of Wildlife Trusts Wales about growth hormones, you will note from the 25 November meeting transcript that both myself as Chair, and Samuel Kurtz as a Committee Member, challenged this point with Rachel Sharp during the meeting and gave her an opportunity to respond. These exchanges can be found at paragraphs 155-168 of the record of proceedings. As you will be aware from giving evidence yourself, all witnesses are also invited to review the draft transcript and raise any issues of accuracy or clarity with us themselves.

With regard to the other points you make in your letter concerning the River Wye, seagrass beds and water quality, your views on this evidence are also noted and are in the public domain. Should the environmental organisations giving evidence wish to provide us with further information concerning these points, then that will of course be a matter for them.

I can give you a strong assurance as Committee Chair, and on behalf of Members, that all evidence received to the inquiry, including where it is disputed by different organisations, will be given careful consideration by Members before we report our conclusions. As you

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would expect, in our deliberations we also have the able assistance of researchers and legal advisers when it comes to testing the veracity and weighing up all the evidence we receive.

Thank you again for your letter, and for your full engagement in the Committee's review.

I have CC'd Rachel Sharp into this letter for openness.

Best regards,

A handwritten signature in cursive script that reads "Paul Davies". The signature is written in a dark ink and is centered on the page.

Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

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

Agenda Item 2.9

Paul Davies MS
Chair
Economy, Trade and Rural Affairs Committee
Welsh Parliament
Cardiff Bay
Cardiff
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10th December 2021



Wildlife Trusts Wales

Baltic House, Mount Stuart Square,
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info@wtwales.org

www.wtwales.org



Registered Company: 3032775
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Re: Review of the Water Resources (Control of Agricultural Pollution) (Wales) Regulations

Dear Chair,

Thank you for forwarding the NFU letter to the committee. I spoke to the Clerk to the committee to correct my statement to say veterinary medicines and hormones entering into rivers.

I would like to take this opportunity to address two further points the NFU raised in their letter. Firstly, the issue of Intensive Poultry Units (IPU's) on the River Wye. I raised this as in the last ten years; there has been increasing concern that phosphate is causing algae blooms on the River Wye.

The NRW report on the Compliance Assessment of the River Wye SAC Against Phosphorus Targets shows over 60% of the River Wye and its catchments fail against targets. The report states that *Comparison of phosphorus concentrations in the Wye against targets indicate widespread failures, some of them large in magnitude. Fourteen water bodies passed their targets, 28 failed, and three were unknown.* Wildlife Trusts Wales (WTW) and other eNGO's do not agree with NRW statement that *the overall pattern of failures in the Wye does not support the hypothesis that poultry units are the main or even a particularly important reason for nutrient failures on the Wye*".

WTW would welcome receiving NRW evidence for this statement. WTW remain concerned that NRW has only 10 testing stations on the entire Wye SAC and that these are only tested once a quarter, which doesn't provide robust data. Also, the statement doesn't suggest what is causing the phosphate levels. Within this time frame, there hasn't been a significant increase in population in Powys (1991 - 119,703 to 2020 133,030). However, there has been an increase in IPU's. Today there is estimated to be 30% more nutrient within the Wye Special Area of Conservation (SAC) than is required to fertilise crops.

There is no monitoring of manure management plans, and the plans that are submitted against planning applications lack any detail. We have recommended that within the catchment, there is a need for caps on the level of phosphate and that these levels should be actively monitored and enforced by NRW. As part of the evidence, concerns were raised about the lack of resources that NRW have to monitor and investigate pollution incidences.



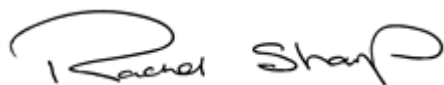
NRW must be resourced fully to undertake proactive and determined monitoring and enforcement. In particular, they should monitor compliance with the existing Slurry, Silage and Agricultural Fuel Oil (SSAFO) regulations (NRW reported that 2 out of 3 farms are non-compliant). Also, a temporary manure heap can stay in situ for 12 months, which risks leaching and run-off.

Our concern is that large agri-businesses are concentrating production in one catchment, causing a cumulative impact. It has been estimated that there could be over 20 million chickens in the Wye Catchment (no official figures are kept; this is an estimate based on the number of known IPU's). Earlier this year Avara Foods, a large egg producer, admitted responsibility for Wye catchment pollution. All of these factors raise concerns that diffuse pollution is entering into the River Wye. It's clear that further research is needed, and we are awaiting the Lancaster University's RePhokus project study of agricultural phosphorous in the Wye catchment.

Secondly, the NFU has drawn the committee's attention to bathing water quality monitoring undertaken by NRW in their letter. Bathing Water designations don't cover the whole of the Welsh coast, only 105 sites. This monitoring is only conducted between May and September and not in the winter when run-off is higher. The Bathing Water Directive classifications in 2020 were based on two microbiological parameters: *Escherichia coli* (E. coli) and intestinal enterococci, but not nutrients. I raised the point on seagrass beds as these are very sensitive habitats and have suffered significant losses and the study by University College London Historical Analysis Exposes Catastrophic Seagrass Loss for the United Kingdom highlight this. This is at a time when the importance of marine habitats in storing carbon is being recognised and leading to seagrass restoration projects in Wales. Therefore, it is critical that we ensure that pollution from any source doesn't undermine efforts to restore these blue carbon stores.

I hope this clarifies my evidence, and WEL will respond to the two further questions asked by the committee on the 7th of December, in due course. I have asked the committee clerk to ask the NFU to contact me to discuss these points, but I haven't heard back from them to date. WTW wish to work productively with all sectors to restore river ecosystems for people and wildlife in Wales and so welcome further dialogue.

Yours sincerely



Rachel Sharp
Director WTW



**Public Accounts and Public
Administration Committee**

Manon Antoniazzi
Chief Executive and Clerk
Senedd Commission

10 December 2021

Dear Manon

Use of the term BAME

During the Committee's consideration of its draft report, Scrutiny of Accounts: Senedd Commission 2020-21, there were a number of references to the acronym BAME. One Member asked that this not be used as citizens who represent this community, feel it is offensive. The Committee Members were in full agreement and where the term had been used in the narrative rather than a direct quote from a publication or the Record of Proceedings, it was amended to read 'ethnic minority communities'. I am sure you will have seen this phrase in our recently published report.

The Committee asked that I write to you requesting that the Senedd Commission stops using the term BAME. The Commission on Race and Ethnic Disparities produced an independent Report in April 2021 for the UK Government to investigate race and ethnic disparities in the UK. One of the areas considered, was the use of the terms BAME and BME, and in March 2021, the Commission on Race and Ethnic Disparities recommended that the UK government stop using the term BAME. The UK government is currently considering its response to the Commission's Report.

The Committee would welcome the Senedd Commission's views on this request once it has been fully considered.

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

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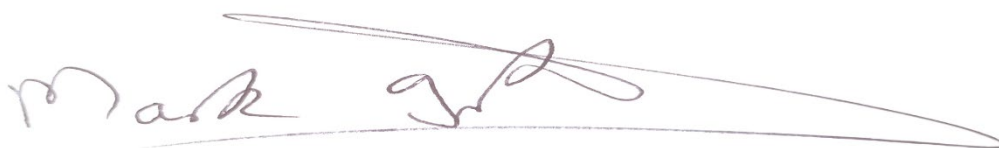
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I am copying this letter to all Committee chairs requesting that consideration be given to not using the term BAME in any committee correspondence and publications.

Thank you

Regards

A handwritten signature in black ink, appearing to read 'Mark Isherwood', with a long horizontal flourish extending to the right.

Mark Isherwood MS
Committee Chair



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref VG/0633/21

Paul Davies MS
Chair
Economy, Trade and Rural Affairs Committee

13 December 2021

Dear Paul,

Thank you for your letter of 16 November requesting information on questions not reached by the Economy, Trade and Rural Affairs Committee during its general scrutiny session on 11 November.

What are your priorities for research and innovation policy in the interim period between now and the new Commission for tertiary education and research being established?

In terms of the remit of the Commission, we have five priorities, namely;

- Ensuring Wales has a fair share of available research, development and innovation funding, at least equivalent to those we received historically, via the European Union.
- Deploying research, development and innovation capacity to support our *Programme for Government* focus on climate change, environmental recovery and decarbonisation
- Building our research, development and innovation capacity in health and life sciences while ensuring Wales is a full partner in delivering the UK Life Sciences Vision.
- Developing a new cross-Welsh Government innovation strategy, with a particular focus on driving impact.
- Continuing to grow Wales' capacity for excellent research by launching the next phase of Sêr Cymru.

Although the remit of the Commission is for research and development within educational institutions, the Welsh Government has a wider commitment to bring research and innovation closer to market, supporting Wales' industrial, business and environmental needs. This includes collaborative R,D &I which is carried out by the private, public and third sectors. Our priorities here are;

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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.

- Deploying research, development and innovation capacity to support our Programme for Government focusing on climate change, environmental recovery and decarbonisation;
- Building further on Welsh research, development and innovation capacity in the Health and Life Sciences;
- Developing a cross-Welsh Government innovation strategy for growth and skill development in our established research and innovation base;

Our new integrated innovation strategy will allow Welsh Government to address opportunities and challenges to build on the momentum in public and private sector innovation caused by the Covid-19 pandemic. It will also include work to address carbon measurement so that we can fully understand the impact we have on carbon reduction.

With the majority of Welsh Government's Innovation funding being ERDF, follow-on funding will be essential to continue this work, as a result of structural funds ending in Wales.

What action will you be taking on the Reid review recommendations to improve the competitiveness of Welsh research and innovation?

We have made significant progress with regard to the 2017 Reid Review. We have established the London Office as recommended by Reid, to ensure Wales has a platform and link to decision-makers and UK research community there. We have delivered on the recommendation to reinsert an innovation fund, £15m has been allocated through this in 21/22, alongside £88.3m for quality research (QR), which goes above the £71m level recommended by Reid.

We have allocated £4.25m to the Higher Education Funding Council for Wales (HEFCW) this year to support postgraduate incentives bursaries, which have a particular focus on STEMM, a key driver in enhancing our current and future research community and culture.

Following the subsequent Reid Review in 2020, universities in Wales have established the Wales Innovation Network (WIN) to support the development of collaborative bids in research and innovation, raising the prominence of Wales' capabilities in a number of important areas for business and community development. HEFCW have invested £1m in WIN over three years, and an interim director has just been appointed.

Work is underway to develop, with Welsh partners, a new cross Government Innovation Strategy. In devising the strategy there is a need to focus innovation effort towards recovery and growth. Professor Reid's review is one source of evidence which will inform this work, however under this term of Government our priorities and focus have, out of necessity, also evolved, taking into account current funding constraints.

We will continue to work with UKRI and Innovate UK and are committed to growing research and innovation with increasing emphasis on RD&I closer to market and aligned with Wales' industrial, business and societal needs.

The fact remains, however, that the UK government continues to operate in a way that doesn't engage devolved governments. It is unclear what the announcement of the recent budget of £22 billion by 2026/27 means for distribution in Wales and it is essential we secure funding levels at least equivalent to those Wales received historically via the EU, as well as to address historic underfunding from both competitive and non-competitive UK investment sources.

Considering the challenges around Covid-19 and climate change, and the role research and innovation play in tackling these, to what extent is Welsh Government prioritising

research and innovation funding and activity and aligning it with its goals in these areas?

Covid-19

Last year, our newly established Critical Equipment Requirement Engineering Team (CERET) identified the needs of NHS and care sectors, including supplies of PPE, Infection Control methods, testing equipment, and sanitisation techniques. WG set up a £5.5m RD&I Support Scheme, an accelerated process using our SMART suite of innovation support and our procurement challenge processes. Over 40 applications from Welsh businesses were approved including;

- Production lines within 6 Welsh businesses with the capability to produce 18m face masks per month.
- 800,000 thumb loop gowns units per month
- The accelerated design, construction and initial validation of a working ventilator capable of being produced in large numbers.
- Supported university and industry collaboration to evaluate Covid-19 Rapid Test Protocols.
- 2 Welsh distilleries using their expertise to meet the demand for ethanol in the production of hand sanitiser - 7,000 litres per month.
- Online support to help a Welsh supplier of vaccine refrigeration technology deliver effective infection control in developing nations.
- A platform to track coronavirus test results, providing real time, geo-mapped results to help deploy critical resources such as healthcare staff, PPE, diagnostic tests, medicines and vaccines.

The operation has also supported organisations to diversify their business, retaining employees who would otherwise have been furloughed, creating new jobs and a more flexible business model that puts them in a better place now and provides resilience for the future.

Our Small Business Research Initiative (SBRI) also supported the delivery of a Rapid Ambulance Sanitisation project to help speed up the time taken to clean ambulances and other vehicles, and ultimately save lives in the national battle against the pandemic.

Climate Change

Our current SMART Cymru and Expertise operations have supported 144 Low Carbon and Biodiversity projects with a total project value of £27.2 Million and a grant contribution of £12 Million. Last year, we issued 2 separate calls specifically for decarbonisation projects from Welsh businesses, awarding £447,000 towards total project costs of £860,000 from the 11 best proposals.

Our SMART Productivity and Design service, alongside our SMART diagnostics and innovation vouchers, have helped over 4,000 businesses with lean techniques, process configuration, new designs including materials, packaging, and eco-design, resource efficiency and waste management, all contributing towards environmental sustainability strategies and cleaner, digital processes.

Our co-ordinated & agile response during this incredibly difficult time showed the vital role innovation has to play for the businesses, academia and the people of Wales.

In terms of outcomes, we need to bear in mind that R&D and innovation are incremental processes and major breakthroughs take time. Areas like decarbonisation often require complex systems adjustment, an understanding of how things interconnect, and an eagerness for adoption by both businesses and citizens. To this end, our new innovation strategy will include work to address carbon measurement so that we can fully understand the holistic impact we are having on decarbonisation.

That said, we will continue to deliver our innovation agenda:

As a co-investor and risk-sharer in business RD&I. Our current programmes help businesses develop new low-carbon products and processes. All applications are assessed against the WG's Wellbeing of Future Generations goals.

As a stimulant to new public procurement practice. We partner with the UK Government's Innovate UK, in developing SBRI competitions which enable public sector bodies to seek innovative solutions to their intractable issues, many of which relate to the decarbonisation agenda; e.g., helping Cardiff Council run a competition for portable renewable energy generation so it can reduce the need for diesel power at major events in the city.

As a deliverer for UK innovation facilities. Work with teams in Housing, Energy and Skills was key to securing the UK Challenge Fund's £36m Active Building Centre for Swansea. The centre is developing next-generation products and techniques that generate, store and release energy. This builds on the work of the SPECIFIC Institute, also in Swansea, which recently developed one of the first positive energy classrooms.

As a horizon scanner of national, European and global best-practice. Through our work within international innovation partnerships, many of which are with other EU regions.

Yours sincerely,



Vaughan Gething AS/MS
Gweinidog yr Economi
Minister for Economy



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref JMEWL/4120/21

Rt Hon Nadhim Zahawi MP
Secretary of State for Education
Sanctuary Buildings Great Smith Street
Westminster
London SW1P 3B

13 December 2021

Dear Nadhim

Thank you for your letter of 2 December in connection with the UK Government's amendments tabled to the Skills and Post-16 Education Bill at House of Commons Committee stage and your updated devolution analysis of the Bill.

Local Skills Improvement Plans

The UK Government's amendments tabled on 23 November and subsequently agreed at Commons Committee stage on 2 December remove Welsh further and higher education institutions from the scope of the local skills improvement plans duties under clause 1 of the Bill. I am pleased to confirm that the amendments address my concerns about the imposition of statutory duties on Welsh institutions.

I welcome the constructive engagement that has taken place between our officials and your recognition of the devolved matters affected by the local skills improvement plans proposals. In light of the amendments made to the Bill I consider that **clauses 1 and 4** no longer require the consent of the Senedd.

Devolution analysis of the Bill

Thank you for providing your updated devolution analysis of the Bill.

I consider **clause 15** (clause 14 in the Bill as introduced) engages section 107(6) of the Government of Wales Act 2006. The Legislative Consent Memorandum which I laid before the Senedd in July indicates that I am content to recommend that the Senedd gives its consent in respect of this clause.

I agree with your conclusions regarding **clauses 27, 28 and 35** concerning insolvency and designation arrangements. It is my view that these clauses do not require the legislative consent of the Senedd.

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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.

Clause 17 concerning Universal Credit conditionality does not, in my view, require the legislative consent of the Senedd.

Finally, in respect of **clauses 18 and 25** my view is that these clauses would require the consent of the Senedd if they remained in the Bill. It is important that any legislation affecting further and higher education in Wales takes into consideration the specific Welsh context. It appears that these clauses have not taken either the devolution settlement or the Welsh context into account. I am therefore pleased to note that the UK Government has tabled amendments which seek to remove them from the Bill.

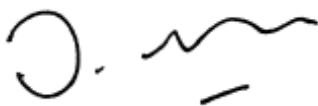
I have laid a further supplementary [Legislative Consent Memorandum \(Memorandum No. 3\)](#) in respect of amendments to the Bill.

Prohibition of essay mills

I would also like to note the amendments accepted at House of Lords Report stage on essay mills. I consider a UK-wide approach is needed to tackle this issue. I am encouraged to note Baroness Barran, in her letter to peers on 6 October, stated that the UK Government does want to continue discussions on a UK-wide approach to this issue with the devolved governments. I discussed this matter with your colleague Michelle Donelan MP, Minister of State for Higher and Further Education, on 8 December and I am pleased that she is supportive of joint working. I am grateful for the continued engagement of your officials with my officials during the passage of the Bill. This is something I support and encourage. I hope that discussions at official level to consider how a UK-wide approach to tackling essay mills might be achieved can commence as soon as possible.

I am copying this letter to the Secretary of State for Wales, to my colleague Vaughan Gething MS, Minister for Economy and to Jayne Bryant MS, Chair of the Children, Young People, and Education Committee, Huw Irranca-Davies MS, Chair of the Legislation, Justice and Constitution Committee and Paul Davies MS, Chair of the Economy, Trade, and Rural Affairs Committee.

Yours sincerely,



Jeremy Miles AS/MS
Gweinidog y Gymraeg ac Addysg
Minister for Education and Welsh Language



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MA-VG-3923-21

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

16 December 2021

Dear Paul,

I am pleased to share with the Committee a provisional Common Framework for Late Payment.

This Framework establishes common expectations around key areas of cooperation and outlines how the UK nations will approach any future exercise of legislative powers in this area and is the context of the UK's departure from the EU. All four UK administrations agreed to work together to establish common approaches, known as Common Frameworks, in policy areas that were previously governed by EU law, and which intersect with areas of devolved competence.

Officials in the Welsh Government, together with their counterparts across the UK, have been working jointly to develop these Frameworks to share with their respective scrutiny Committees for Parliamentary scrutiny.

The set of documents can be found [here](#).

Yours sincerely,

Vaughan Gething AS/MS
Gweinidog yr Economi
Minister for Economy

Cc: Huw Irranca-Davies MS, Chair, Legislation, Justice and Constitutional Committee
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Mark Isherwood MS, Chair, Public Accounts and Public Administration Committee
SeneddPAPA@senedd.wales

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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.

Ein cyf/Our ref: MA-RE-2314-21

Llywodraeth Cymru
Welsh Government

Elin Jones, MS
Llywydd
Senedd Cymru
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Llywydd@senedd.wales

16 December 2021

Dear Elin,

Correction of the Record – Debate on the Legislative Consent Motion on the Rating (Coronavirus) and Directors Disqualifications (Dissolved Companies) Bill, 23 November 2021

I am writing to correct the record concerning remarks made during the above [debate](#) on 23 November.

During the debate, the Chair of the Legislation, Justice and Constitution Committee remarked¹ that I had not formally responded to the Committee's report on the Legislative Consent Memorandum on the Bill, whilst confirming receipt of a letter to all Members which addressed two specific recommendations in the Committee's report, issued on 22 November.

In my reply², I said that I had responded to the Committee. However, I was in fact referring to a letter issued on 20 November which responded to remarks on related secondary legislation, the Valuation for Rating (Wales) (Coronavirus) Regulations 2021.

I would like to confirm that at the time of the debate on 23 November, I had yet to issue a formal response to the Committee's report. I have since done so, providing the Committee with a formal response to its report on 9 December. I apologise for any confusion my remarks might have caused.

¹ RoP, paragraph 385

² RoP, paragraph 404

I am copying this letter to Huw Irranca-Davies MS, Chair of the Legislation, Justice and Constitution Committee, and Paul Davies MS, Chair of the Economy, Trade and Rural Affairs Committee as both Committees reported on the Legislative Consent Memorandum on the Bill.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The script is cursive and fluid.

Rebecca Evans AS/MS

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

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

17 December | 2021

Dear Paul Davies MS,

Re: Supplementary evidence to the Control of Agricultural Pollution Regulations Inquiry

Thank you for the opportunity to provide further evidence on the points below.

1. The funding support from Welsh Government to implement the changes

WEL believes that sufficient funding needs to be provided by Welsh Government to implement the changes required by these regulations. This is important both in terms of the farm businesses and the regulator.

WEL members are aware of farms that will be able to achieve compliance with the 2021 regulations without Government funding. There are other farm businesses which will look for grant aid to become compliant. Some grant aid should be made available to assist compliance, along with advisory support.

If NRW is to enforce the regulations effectively it must be funded to do so. The effectiveness of regulation is affected by the perceived likelihood of offending being detected. The regulator must have sufficient resources to undertake credible regulation. We are aware of difficulties within the NRW Dairy Project caused by the way it is funded. Funding is on an annual basis. People are employed on contracts of a year or less. They obtain permanent jobs within NRW and leave the Dairy Project. As of 15th November 2021 there were five vacancies out of just twelve posts, as well as

a vacancy for the team leader. This has been a recurring theme since the project was set up. Officers do not gain the necessary experience to carry out what can be a challenging role. We appreciate this is an advisory role and not a regulatory role, but its aim is to achieve compliance. It is illustrative of the need for appropriate funding.

Advice can be given to farmers by others but only NRW has the power to regulate. NRW must receive funding to regulate, which includes the resources to undertake regular monitoring, and must itself allocate resources appropriately in its position as sole regulator. NRW should be accountable for this funding by demonstrating that it has accurate data on farm compliance and evidence that it is taking enforcement action against farmers that fail to comply.

2. The impact of incorporating the regulations into the National Minimum Standards that will need to be met to access support through the proposed Sustainable Farming Scheme.

WEL would welcome the incorporation of the regulations into the National Minimum Standards as part of a range of regulatory and enforcement options available to the regulator. This would add to the proposed range of options suggested under the proposed Agriculture Bill. It is important that there is a clear, effective regulatory baseline that underpins the Sustainable Farming Scheme. This should be easy for farmers to understand and bring all the relevant regulation together in one place.

Under the current timeline for implementation of the regulations, all requirements should be in place for farmers by the end of 2024, just before the Sustainable Farming Scheme is officially launched. The phasing in of the requirements of the regulations over 3.5 years should assist farmers to be compliant by the time the Sustainable Farming Scheme starts, so we do not see the inclusion of the regulations in National Minimum Standards as a barrier to farmers joining the Scheme.

One concern is the extent to which regulatory non-compliance would be monitored and the extent to which access to support through the proposed Sustainable Farming Scheme would be restricted. A lack of proper monitoring or only limited restriction might not be a deterrent to poor practice. There will be cases where a formal

regulatory response is required ranging from formal caution, through to fixed or variable penalty, enforcement undertaking and prosecution.

One area being investigated by the Committee is whether the 2021 regulations should be applied across Wales or restricted to discreet NVZs. On 25th November 2021 Creighton Harvey referred to evidence provided to the WLMF agricultural pollution subgroup by Nicola Salter of NRW, and recorded in the minutes of the May 2020 meeting, in which she referred to pop-up New Zealand style farms. We would wish the committee to be aware of an [article published by Farmers Weekly online](#) on 29th November. This was not available at the time of our presentation before the Economy, Trade and Rural Affairs Committee.

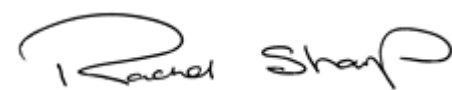
The article refers to an upland beef and sheep farmer in mid-Wales converting to dairy production. The article gives advice to farmers wishing to make the same change. Under advice point 7, farmers are advised to consider agricultural pollution regulations as 'Nine times out of 10 the stocking rate is the limiting factor on how much milk a business is going to be able to produce.' The article illustrates the potential for more intensive agriculture spreading into new areas and the need for regulation to be in place before this happens.

Best regards,

Creighton Harvey,
Independent Trustee, Afonydd Cymru



Rachel Sharp
Director, Wildlife Trusts Wales



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Pack Page 35



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MA-LG-3951-21

Paul Davies MS
Chair
Economy, Trade and Rural Affairs Committee

paul.davies@senedd.wales

20 December 2021

Dear Paul

The Official Controls (Extension of Transitional Periods) (Amendment) (No. 2) Regulations 2021

The Secretary of State proposes to make the above named Statutory Instrument (SI) ("the Instrument") under powers conferred by:

- article 144(6) of, and paragraph 2 of Annex 6 to, Regulation (EU) 2017/625 of the European Parliament and of the Council on official controls and other official activities performed to ensure the application of food and feed law, rules on animal health and welfare, plant health and plant protection products; and
- paragraph 11A(1) of Schedule 2 to the Trade in Animals and Related Products Regulations 2011.

Operability legislation made in late 2020 under the European Union (Withdrawal) Act 2018 set out a 'transitional staging period', to allow controls on EU SPS imports to be introduced over several months. The staging is intended to help trade sectors and related controls' infrastructure to be ready for the additional volume of biosecurity checks, which are one consequence of the decision to leave the European Union.

The Instrument amends, in relation to Wales, England, the appointed end date of the transitional staging period insofar as it relates to documentary, identity and physical checks on products of animal origin and certain animal by-products. This instrument also waives the pre-notification requirement in relation to goods imported from the island of Ireland.

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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.

The following legislation will be amended:

- Regulation (EU) 2017/625 of the European Parliament and of the Council on official controls and other official activities performed to ensure the application of food and feed law, rules on animal health and welfare, plant health and plant protection products;
- the Trade in Animals and Related Products Regulations 2011 (applies to England only);
- the Plant Health etc. (Fees) (England) Regulations 2018 (applies to England only);
- the Plant Health (Amendment etc.) (EU Exit) Regulations 2020;
- the Meat Preparations (Amendment and Transitory Modification) (England) (EU Exit) Regulations 2020 (applies to England only); and
- the Official Controls (Extension of Transitional Periods) Regulations 2021.

Amendments will be made in Welsh legislation to mirror amendments to the England only legislation listed above.

The UK Government's last minute decision to waive pre-notification for goods from Northern Ireland *and* Ireland is not ideal as officials will not receive anticipated trade flow data flows between January and July to assist further planning and preparedness activity. It may also raise questions in relation to the WTO and the Trade and Cooperation Agreement. However, I'm satisfied that these risks do not fall to Welsh Ministers.

Furthermore, without these amendments, from 1 January 2022, import and exports businesses in GB and EU respectively will be obliged to comply with the SPS control requirements as currently set out in legislation – including the need to enter Great Britain through a Border Control Post.

The extension will allow businesses in Wales affected by the pandemic to familiarise themselves with the new SPS compliance requirements and IT systems and ensure that necessary infrastructure and processes are in place at Border Control Points, further minimising the risk of any disruption.

I am therefore writing to let you know I give my consent to the Secretary of State to make the Instrument in relation to Wales. I understand the SI will be laid before the Houses of Parliament on 15 December and will be subject to the negative procedure. However, in order to ensure the requirements do not take effect from 1 January 2022, the Instrument will breach the 21 day convention.

I am copying this letter to the Minister for the Economy, Counsel General and Minister for the Constitution, Minister for Climate Change, Deputy Minister for Mental Health and Wellbeing and the Chair of the Climate Change, Environment and Infrastructure Committee.

Yours sincerely



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

—
**Legislation, Justice and
Constitution Committee**

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Chair, Children, Young People, and Education Committee
Chair, Climate Change, Environment, and Infrastructure Committee
Chair, Committee for the Scrutiny of the First Minister
Chair, Culture, Communications, Welsh Language, Sport, and International Relations
Committee
Chair, Economy, Trade, and Rural Affairs Committee
Chair, Equality and Social Justice Committee
Chair, Finance Committee
Chair, Health and Social Care Committee
Chair, Local Government and Housing Committee
Chair, Public Accounts and Public Administration Committee

21 December 2021

Dear Chair

Inter-Institutional Relations Agreement

Last week our report on the Inter-Institutional Relations Agreement between Senedd Cymru and the Welsh Government was noted by the Senedd.

I would like to draw your attention to this report, which includes the Agreement.

The Agreement represents the agreed position of the Senedd and the Welsh Government on the information that the Welsh Government will, where appropriate, provide to the Senedd with regard to its participation in formal, ministerial-level inter-governmental meetings, agreements, concordats, and memorandums of understanding.

The Agreement is intended to support the Senedd's capacity to scrutinise Welsh Government activity



and to hold the Welsh Ministers to account in the intergovernmental arena. It therefore may be of interest to you in any future scrutiny work that you undertake.

Yours sincerely

Huw Irranca-Davies

Huw Irranca-Davies

Chair

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



Llywodraeth Cymru
Welsh Government

Our ref: MA/LG/4207/21

Paul Davies MS
Chair
Economy, Trade, and Rural Affairs Committee
Senedd Cymru
Cardiff Bay
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06 January 2022

Dear Paul,

The Welsh Government has been working with all other fisheries policy authorities across the UK to develop a draft Joint Fisheries Statement (JFS).

In this regard I refer to my previous letter sent in November advising of my intention to lay the consultation draft JFS before the Senedd on 10 January 2022. It has been necessary to delay this date across the UK and as a consequence the scrutiny period will need to be moved. On the same basis, the launch of the public consultation date will also be delayed.

I will contact you again shortly to advise on a new date, but in the meantime I hope this information will help you to manage your forward work programme. Furthermore, I look forward to discussing the JFS with you on 3 February providing the JFS has been laid in sufficient time before this date.

Regards,

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

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

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

06 January 2022

Dear Paul,

The Official Controls (Temporary Measures) (Coronavirus) (Amendment) (No. 3) Regulations 2021

The above titled SI amended Retained Regulation (EU) 2020/466, which expired on 31 December 2021, and is required to allow the continuation of certain temporary measures to the system of official controls implemented as a result of the Coronavirus pandemic to be in place until 1 July 2022.

In relation to Wales, the amendment provides competent authorities with the continued ability to introduce temporary measures to help prevent disruptions to the food supply chain, ensuring that official controls can still be conducted in compliance with wider social distancing guidelines and procedures put in place to deal with staff shortages as a result of the Coronavirus pandemic.

The SI is subject to the negative procedure, and was laid before Parliament on 04 January 2022 with a commencement date of 30 December 2021. UK Government explained the reasons for backdating it coming into force to be due to procedural issues with obtaining consent over recess, and due to the need to ensure continuity in the legality of temporary measures.

I am writing to let you know as these amendments are temporary emergency easements, I have given my consent, pursuant to Article 3(2B)(b)(i) of the retained Regulation (EU) 2017/625, to the Secretary of State to make this SI in relation to Wales. I have laid a Written Statement, which can be found at

<https://senedd.wales/media/psrdpd3t/ws-ld14807-e.pdf>

It is normally the policy of the Welsh Government to legislate in matters of devolved competence; however, in this instance I am giving consent owing to the urgent need to make these changes before 31 December 2021. I have previously consented to equivalent extensions to these regulations in January and May this year.

These measures are temporary and do not amend existing Welsh legislation. There are functioning Common UK Frameworks in the policy areas of Animal Health and Welfare, Food

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and Feed Safety, and Plant Health that provide robust governance arrangements. There is consensus between policy officials of each government in Great Britain that these measures are beneficial, in the context of growing concerns in relation to Covid-19 and wider pressures on authorities conducting official controls. These measures will help protect these authorities and their staff from further disruption.

Not proceeding with or delaying this legislation could mean that competent authorities in Wales would not benefit from temporary official control measures when required. This could potentially, compromise their ability to deliver official controls those while minimising risks to staff from Covid-19 at a time where there are wider pressures on access to labour as a result of EU Exit, particularly in the veterinary workforce within the meat industry.

I am copying this letter to the Deputy Minister for Mental Health and Wellbeing and the Counsel General and Minister for the Constitution.

Regards,

A handwritten signature in cursive script that reads "Lesley Griffiths".

Lesley Griffiths AS/MS

Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd
Minister for Rural Affairs and North Wales, and Trefnydd

Ein cyf/Our ref: MA/LG/4207/21

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

Paul.Davies@senedd.wales

12 January 2022

Dear Paul,

The Welsh Government has been working with all fisheries policy authorities across the UK to develop a draft Joint Fisheries Statement (JFS).

In this regard, I refer to my previous letter of 6 January advising of a delay in laying the consultation draft JFS before the Senedd. I can now advise we expect the laying date to be 17 January 2022 across the UK. As such, the scrutiny period will be 18 January – 25 February. On the same basis, the launch of the public consultation date will also be 18 January.

I look forward to discussing the JFS with you on 3 February.

Regards,



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

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

Agenda Item 2.21

Y Pwyllgor Busnes

Business Committee

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To: Chairs of Senedd committees, via email

7 January 2022

Review of the committee timetable and committee remits

You will recall that, on 16 December 2021, the Chairs' Forum considered, and endorsed, the Business Committee's suggested approach to conducting a review of the committee timetable and committee remits.

Chairs expressed a range of different views at the 21 December meeting, with some Chairs finding the current timetable challenging, whilst others expressed concerns about changing the current approach. There were no concerns raised about committee remits, although it is proposed that remits will continue to fall within the scope of this review.

To build on this, I invite you to discuss the review with your committees and to provide a written response to the review. The focus of this aspect of the review is to gather the agreed view of each committee.

In doing so, I would be grateful if you would consider the terms of reference for the review, and a number of specific questions. Whilst addressing the questions will be helpful, they are not intended to be prescriptive.

The terms of reference, and questions, are enclosed with this letter.

I also enclose a copy of the paper considered by the Business Committee and the Chairs' Forum.

Whilst you might wish to refer to feedback you have received from external stakeholders in your response, the Business Committee does not expect committees to consult with stakeholders in the time available for this review.

The timescale for this review is tight, as the Business Committee is aiming to implement any changes arising from the review at the start of the summer term 2022.

Consequently, as agreed at the Chairs' Forum meeting on 16 December 2021, the review will need to be completed in early March in order to provide committees with sufficient time to plan for any changes made.

To enable this, please submit your written response by 12pm on Friday 4 February 2022. This is a week later than the original deadline proposed in the suggested approach.

Alongside this consultation with committees, Business Managers will be discussing the review with their Groups, and individual committee members will be surveyed too.

Draft proposals, based on the evidence gathered, will be discussed at the Chairs' Forum meeting on 17 February 2022. The Business Committee will then make decisions about the future timetable and committee remits in the light of that discussion.

If you require any further information, please contact the Clerk to the Chairs' Forum, Alun Davidson, who is supporting the Business Committee with this review.

Yours sincerely,



Elin Jones MS

Llywydd

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.

Business Committee: Review of the committee timetable and committee remits

Terms of reference and consultation questions

Terms of reference

To review the current approach to the committee timetable, and committee remits, with a view to identifying any changes to the approach that could improve committee effectiveness, whilst maintaining an appropriate balance between the time committee members spend on committee work (in and outside committee meetings) and their wider responsibilities.

Consultation questions

Timetable – status quo

To what extent does the current approach to the committee timetable provide:

sufficient time for committees to undertake their work effectively?

sufficient flexibility to meet peaks in committee workloads and/or future business requirements for additional committee capacity?

an appropriate balance between the time Members spend on committee work (in and outside committee meetings) and their wider responsibilities?

Timetable – alternatives to the status quo

What changes could be made to the committee timetable to improve committee effectiveness, whilst maintaining flexibility to accommodate additional committee business, and an appropriate balance between the time Members spend on committee work (in and outside committee meetings) and their wider responsibilities?

If changes are to be made to the timetable, when should these changes be implemented?

Remits

Do you believe there is a need to adjust the remit of your committee? For example, to balance work across committees, and/or to improve lines of accountability.

Measuring the effectiveness of your committee

Has your committee established a means of assessing the effectiveness of its work?

This question is posed in order to determine whether any changes made as a consequence of this review can be monitored in this context.

[Enclosure 2 – Business Committee paper]

Review of the committee timetable, and committee remits: Draft approach

Purpose

1. To provide a draft approach to the review of the committee timetable, and committee remits, for consideration by the Business Committee.

Background

2. The Business Committee agreed a fortnightly committee timetable at the start of the Sixth Senedd, on the basis that it would provide:
 - sufficient meeting time for committees to perform their roles;
 - a fair balance between the time members are expected to spend on committee work and their wider responsibilities;
 - flexibility for committees to hold additional meetings when there is a need to complete time-limited work, and/or address peaks in workload; and
 - sufficient flexibility to accommodate an additional committee in the system, if needed (currently the Special Purpose Committee).
3. In addition to a fortnightly timetable, the Business Committee increased the amount of time available during the week within which committees could meet – this includes Monday mornings and the occasional use of Fridays for Stage 2 consideration of Bills.
4. Protected weeks were retained, to provide dedicated time for the Chairs’ Forum, Scrutiny of the First Minister Committee, and further additional meeting time for committees to request if needed.
5. A secondary objective, expressed at the time the timetable was agreed, was to encourage committees to make efficient use of their meeting time. For example, to hold one-off stakeholder roundtables to gather a range of evidence at once, rather than deploying the more traditional “panel after panel” approach to evidence gathering over a number of weeks.
6. The Business Committee previously agreed to review the committee timetable, and the remits of committees, at Easter 2022 i.e. after two terms of operation.

7. However, the volume of requests from committees for additional meetings, and the concerns expressed by some committees with the current timetable, have led to this review being brought forward.
8. The Llywydd has also indicated that the Chairs' Forum would be consulted on the review at its 17 February meeting.
9. Most concerns raised to date have been in relation to timetabling, rather than remits, though concerns have been raised about the breadth of the remit set for the Legislation, Justice, and Constitution Committee.
10. The proposals in this paper suggest reviewing both timetabling and remits at the same time, due to the possible interdependency between the two i.e. if a review of remits resulted in the creation of a new committee, the timetable would need to take account of this.
11. It would be possible to separate these reviews, should that be the Business Committee's preference, though a review of remits that took place at a later date might necessitate further changes to the timetable.

Draft terms of reference

12. Draft terms of reference are suggested in the box below:

Draft terms of reference

To review the current approach to the committee timetable, and committee remits, with a view to identifying any changes to the approach that could improve committee effectiveness, whilst maintaining an appropriate balance between the time committee members spend on committee work (in and outside committee meetings) and their wider responsibilities.

13. The review will consider the status quo and options for the future operation of the timetable.
14. Under the headings below are questions that expand on the terms of reference, and could be addressed during the course of the review:

Timetable – status quo

Does the current approach to the committee timetable provide:

- sufficient time for committees to undertake their work effectively?

- sufficient flexibility to meet peaks in committee workloads and/or future business requirements for additional committee capacity?
- an appropriate balance between the time Members spend on committee work (in and outside committee meetings) and their wider responsibilities?

Timetable – alternatives to the status quo

- What changes could be made to the committee timetable to improve committee effectiveness, whilst maintaining flexibility to accommodate additional committee business, and an appropriate balance between the time Members spend on committee work (in and outside committee meetings) and their wider responsibilities?
- If changes are to be made to the timetable, when should these changes be implemented?

Remits

- To consider whether committee remits should be adjusted. For example, to balance work across committees, and/or to improve lines of accountability.

Interdependencies

15.The review will need to consider:

- the resourcing and/or technological constraints on timetabling, and how this should be managed in the future e.g. the number (and type) of committee meetings that can be held concurrently; and
- the impact on Senedd Commission resources, including staffing, of any changes proposed as a consequence of this review (or maintaining the status quo, should that be the preferred option).

Committee effectiveness

16.The review could consider the extent to which Committees have established means of assessing the effectiveness of their work, so that any changes made as a consequence of this review can be monitored in this context.

17.This could be extended to capture any committee innovation that has arisen in response to a fortnightly (and more flexible) timetable e.g. alternative approaches to evidence gathering, work conducted outside meetings etc.

Evidence gathering

18.The following approach to evidence gathering is proposed:

- **Committees** – the Business Committee invites each committee to provide a written response to the questions posed by the review.
- **Committee members** – committee members will be invited to complete a survey to obtain their views on the time currently allocated for committee work, their view on what the correct balance should be between time spent on committee work and their wider responsibilities, and the level of priority they are able to dedicate to committee work.
- **Chairs** – the Chairs’ Forum is consulted on any proposals for change that arise from the review, prior to proposals being finalised.
- **Party Groups** – Business Managers invite a view from their party groups.
- **Data** – data on the usage of allocated time, additional meeting time, and types of committee activity, can be provided.

Timescales

December 2021

- Consult the Chairs’ Forum on the terms of reference and approach to the review (16 December).

January 2022

- Three-week period of evidence gathering (10 – 28 January).

February 2022

- The Business Committee considers draft proposals, based on the evidence received (8 February)
- The Chairs’ Forum considers the draft proposals and the timing of the introduction of any changes to the timetable (17 February)).

March 2022

- The Business Committee confirms proposals (1 March).
The Business Committee publishes a report and tables any motions needed to give effect to remit changes (should there be a need for any) (to be made in Plenary on 9 March).

April 2022

- Timetable changes to be implemented at the start of the summer term.

Consulting the Chairs' Forum

- 19.** Whilst there is an appetite to resolve perceived issues with the timetable quickly, there is a tension between this and the lead-in time needed for committees to plan their work.
- 20.** The Business Committee might wish to consult the Chairs' Forum, at its meeting on 16 December, on the scope and timescale for the review before taking a final decision.

Agenda Item 3

Document is Restricted

Memorandum on the Rural Affairs Draft Budget Proposals for 2022-23

Economy, Trade and Rural Affairs Committee – 20 January 2022

1.0 Purpose

This paper provides information to the Economy, Trade and Rural Affairs Committee on the Rural Affairs (RA) (MEG) proposals outlined in Draft Budget 2022-23, published on 20 December. It also provides an update on specific areas of interest to the Committee. The summary of the budget structure can be found at section 3 of the evidence paper.

2.0 Strategic Context

1. Ministerial Responsibilities

1.1 Agriculture Sector Development

The Agriculture and Sustainability Division leads Welsh Government activities through all phases of producing, processing and marketing farm, food and bio-based products, from the farmer to the consumer, from the farm to global markets. The team is responsible for:

- developing and delivering agricultural policy on sustainable farming, sector development, trade, contingency planning, and agricultural tenancies;
- supporting the industry through advice, guidance and schemes to improve resilience, innovation, wellbeing, health and safety. We also sponsor the Levy Bodies;
- providing funding through Glastir, the Farm Business Grant (FBG) and the Sustainable Production Grant (SPG); and
- developing agricultural regulations including Agricultural Pollution Regulations, livestock identification and movement controls, and Local Authority animal health and welfare enforcement.

1.1.1 Livestock Identification and Movement Policy

I launched my consultation on Changes to Livestock Identification, Registration and Movement Reporting on 30 September. The consultation will look to harmonise some of the movement reporting and registration rules across all livestock. It also includes agreed changes on Bovine EID tag specifications and the mandatory use of RPWOnline's Manage My CPH system.

The proposals in the consultation provide increased traceability for all livestock and introduce electronic efficiencies to enhance farm performance, alongside the development of EIDCymru.

The consultation will be open until 2nd January 2022 and I will update the Senedd on the results of the consultation and publish my decision on the changes and the provisional implementation date for Bovine EID.

1.1.2 Nitrate Vulnerable Zone Management

Nitrate Vulnerable Zones no longer exist in Wales.

Through the Rural Development Programme 2014-20 (RDP), which runs until the end of March 2023, we are continuing to support farm businesses in implementing the requirements of the Water Resources (Control of Agricultural Pollution) (Wales) Regulations 2021. We are developing our proposals for replacement EU funding. As farmers and land managers transition towards the Sustainable Farming Scheme, future support will include a focus on environmental improvements, farm scale land management, productivity, and diversification. Enhancing water quality and supporting farms to become compliant with the new regulations will be an element of this support. Further details of future funding plans will be announced once I have had the opportunity to consider proposals put forward by my officials. As a result of the continued demand for the Farming Connect Advisory Service and the significant increase in the number of applications following the introduction of the Water Resources (Control of Agricultural Pollution) (Wales) Regulations in January 2021, the Advisory Service secured an additional £1,125,000 which was awarded to ensure the continuation of the Service up until March 2023. The total budget allocation for the Farming Connect Programme as a whole for FY 22/23 is £9,621,575.00. The programme provides a range of knowledge transfer support services, not limited to, but including advice, factsheets, workshops and videos, to support the sector to implement the Regulations.

£358k has been allocated to Technical Advice Services, which includes demand-led expenditure associated with the Regulations, including legal advice, a farm advice service provided by RSK ADAS Ltd and for other expenditure associated with the implementation of the Regulations.

1.1.3 Equines

The Equine Identification (Wales) Regulations 2019 require all horses in Wales to be identified with a microchip from 12 February 2021 and hold a valid passport.

Although Defra is planning to consult on changes to Equine ID's before the end of 2021 we are not proposing any changes at present.

1.2 Agri-food Sector Development

The Food Division advises me on all matters of food policy and strategy. The team:

- engage directly with the food and drink industry on a daily basis;
- deliver a suite of industry support programmes and interventions that enable the sustainable growth of the food manufacturing sector in Wales – driving growth and productivity gains throughout the food chain;
- fund programmes across the food spectrum, leveraging financial resources from wider Welsh Government including RDP, EFF, ERF and a number of smaller initiatives as well as external funding sources such as Growth Deals;
- support business survival and resilience post Covid-19 and EU exit by leveraging funds to support food sector growth, working with retailers to encourage increased Welsh food and drink product listings, helping to secure an increased online presence of Welsh producers and promotion activities to increase the Welsh food manufacturing's share of supply into the food service sector, tourism and the public sector; and

- promote the Welsh food industry through international events and networks designed to increase inward investment.

1.2.1 Food and Drink Wales

On 19 November the Welsh Government launched 'A Vision for the Food and Drink industry from 2021'. The intention is to build on the food and drink industry's success in Wales with an overarching objective to ensure an environmentally and socially responsible food and drink supply-chain which has an international reputation for excellence. A key ambition is to sustainably grow the industry at a rate higher proportionally to the rest of the UK areas, while future business support will be linked to the aims and ambitions of the Economic Contract.

The new UK GI scheme has ensured continued protection in the EU for our 16 Welsh products originally registered under the EU schemes, as well as automatically transferring to new UK GI scheme protection.

Wales represented the first nation to successfully register two new products under the UK GI scheme, taking the Welsh GI family of protected products up to 18 members. Wales is now in a unique and differentiated position of protected food areas and will continue with this momentum. It is therefore Wales' ambition within the food and drink industry vision from 2021, to ensure up to six other key Welsh product areas are registered under the UK GI scheme by 2025. Wales recognises the importance of these protections, which demonstrates the links to our food heritage, our communities and culture.

The marketing and communications are linked to a Sustainable Futures and will be built on BCORP environmental and other accreditations. The Well-being and Future Generations Act underpins the legislation and Food for Future Generation's themes. This sustainable message differentiates the Welsh food and drink journey and now widely shared in both national and international markets. During BlasCymru/TasteWales 2021 the National Geographic Traveller and Food Supplement covered these areas and was accompanied by an online video outlining Wales and its sustainable ambitions – this coverage was a first for any UK nation.

We will continue to support the industry as we recover from the effects of the Covid-19 pandemic. The recently launched 'A Vision for the Food and Drink industry from 2021' will play a key role in positioning the industry and has the capacity to be flexible so that it can respond to changing circumstance.

I announced the postponement of the 'premier' BlasCymru/TasteWales event due to the Covid-19 pandemic last March. We were able to hold a covid secure hybrid event on the 27th and 28th October 2021. This event was held at the International Convention Centre (ICC) in Newport. The theme of the event was sustainable and food for Future Generations. Initial feedback from all delegates were strongly positive and the initial business brokerage secured £14million in contracts for Welsh businesses. The event demonstrates our clear determination to continue to promote the very best that the Welsh food and drink industry has to offer nationally and internationally and further develop the global reputation of Wales as a sustainable Food Nation.

1.3 Animal and Plant Health Agency (APHA)

Since April 2015 the majority of bovine TB skin tests have been undertaken by private veterinarians via two-contracted Veterinary Delivery Partners (VDP). Procurement rules require the market to be re-tested and new '2nd generation' contracts commenced in July 2021. Re-testing the market has inevitably increased the cost of this significant Wales / England contract.

The budget covers APHA running cost increases, agile TB policy development and delivery required in response to disease prevalence, additional border controls and checks for exotic animal and avian diseases.

Failure to demonstrate effective control on animal disease and biosecurity, including import controls, could undermine the perception, by external trading partners of the assurance of Wales' official controls. This could have an impact on the ability for the UK as a whole to trade with other countries.

1.3.1 Bovine TB Eradication Programme (including Delivery Plan, testing and compensation)

The TB Eradication Programme sets out the Welsh Government's long term vision for the eradication of bovine TB in Wales. The programme is based on the four key principles of infectious disease control: Keep it Out, Find it Fast, Stop it Spreading and Stamp it Out. We have seen good progress since our programme was first established, with long term decreases in incidence and prevalence. Between 2009 and 2020, there was a 48% decrease in new incidents and it is worth reminding ourselves that 94.8% of herds in Wales were TB free at end of June 2021.

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

A regionalised approach to TB eradication was launched in 2017 creating Low, Intermediate and High TB Areas and policies have continued to be refined, reacting dynamically to the changing disease picture, whilst responding to the particular challenges resulting from the Covid-19 pandemic

The Minister made a Statement on 16 November on the TB Eradication Programme and also launched a consultation on enhanced measures, seeking views of aspects such as payment for TB affected cattle, TB testing and informed purchasing. The consultation will last 12 weeks with responses due in by 8 February 2022 and will inform a refresh of the TB Eradication Programme.

TB Testing

In Wales a skin test (*SICCT*) to the neck of cattle is used to identify infected animals. This compares the reactions to the injection of both bovine and avian tuberculin. In general animals that react to the bovine more than the avian tuberculin are considered as skin test reactors.

This is a long established test, and is used worldwide as the main surveillance test for TB control programmes. The test is likely to identify only one 'false positive' animal in every 5000 non-infected cattle tested. But, at best it may only identify 80% of infected animals. There is currently no test, or combination of tests, that will:

- identify all cattle infected with TB; and
- identify all non-infected cattle as negative animals.

An Interferon-gamma blood test is also used in some herds (as a supplementary test) to help identify other infected animals.

In Wales we test:

- each herd every year
- any animal before it moves off farm, except for low risk cattle in the Low TB Area
- any animal moving from a herd outside the Low TB area to a herd in the Low TB Area

We inspect animals at the abattoir to identify any infected with TB, not identified in the testing surveillance programme (they become "slaughterhouse cases" and result in follow up testing in the source herd).

TB compensation

Welsh Government has a statutory commitment to pay TB compensation.

This is a demand lead area of expenditure that is directly linked to the amount of animals slaughtered because of TB. Variables such as the amount of animals slaughtered, market value of each animal and the amount of salvage value applicable to each animal has an effect on the level of expenditure and salvage receipts received.

Animal owners are paid by the Welsh Government for cattle slaughtered because of TB as set out in The Tuberculosis (Wales) Order 2010 (as amended) (The TB Order). This Payment is currently calculated based on the market value of each individual animal. A number of alternative payment options are outlined in the consultation.

Following some negotiation, the European Commission approved the UK TB Eradication Plan for 2019 and associated co-funding of €8.99m to be split between Wales, England and Northern Ireland.

1.4 Animal Health and Welfare

The Wales Animal Health and Welfare Framework sets out our plan for continuing and lasting improvements in standards of animal health and welfare for kept animals, whilst also helping to protect public health and making a contribution to the economy and the environment.

The implementation of the plan is supported and monitored by the Wales Animal Health and Welfare Framework Group. The eight publically appointed members bring a wealth of experience and knowledge and are drawn from a broad range of sectors and areas of expertise.

This plan addresses several key PfG commitments in addition to ongoing Wales-based policy work and UK/GB policy collaborations:

- Develop a national model for regulation of animal welfare, introducing registration for animal welfare establishments, commercial breeders for pets or for shooting, and animal exhibits;
- Improve the qualifications for animal welfare inspectors to raise their professional status;
- Require CCTV in all slaughterhouses; and
- Restrict use of cages for farmed animals.

Ongoing Wales-based policy work:

- Statutory Guidance for the Animal Welfare (Licensing of Activities Involving Animals) (Wales) Regulations 2021;
- Update statutory Guidance for the Animal Welfare (Breeding of Dogs) (Wales) Regulations 2014;
- Local Authority Enforcement Project (2020-23);
- Licensing of Animal Exhibits & Animal Establishments;
- Microchipping of Dogs and Cats; and
- Codes of Practice.

UK/GB policy collaborations:

- Animal Welfare (Kept Animals) Bill; and
- Welfare in Transport.

1.5 European Union (EU) Exit and Strategy

The EU Exit & Strategy Unit coordinates, supports and drives ERA's EU exit and transition activities (including operationalisation of new cross-cutting functions and structures). The division also facilitates, co-ordinates and delivers strategic evidence, modelling and their practical application to support ERA's wider policy making. We have responsibility for:

- intergovernmental relations in Environment, Farming and Rural Affairs (EFRA) space;
- strategic evidence, modelling and monitoring to support ERA policy development;
- Northern Ireland Protocol issues, including business readiness for EU transition changes;
- coordination of finalisation of common frameworks including legislative scrutiny ;
- resourcing and capability to ensure WG effectively discharges its responsibilities in relation to circa 3,500 new powers post EU transition; and
- advice on environmental aspects of trade agreements.

1.6 Future Farming Policy and Direct Payments to Farmers

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

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

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

1.7 Marine and Fisheries

The Marine and Fisheries Division works to ensure our seas are cleaner, healthier, safer, more productive and biologically diverse. More broadly, its work is about protecting and improving the marine environment, and sustainably managing our diverse fisheries. Their work covers:

- The division has responsibility for a very wide variety of policy areas and is facing a number of policy challenges and opportunities as a consequence of EU exit, including the production of a Joint Fisheries Statement.
- Development of replacement for EMFF. The funding we have received at £2.1m will go some way to support the maritime and fisheries sector, which is particularly vulnerable to changes as a result of our exit from the EU. The funding for fisheries and farm support is reflected in the MEG revenue allocations.
- Welsh Ministers are the competent Fisheries Administration for Wales and the division is responsible for a number of statutory functions in this area – this accounts for approximately two thirds of the divisions work. These functions include Fisheries Control and Enforcement, Domestic and International Fisheries Management, Coastal State Negotiations (determination of fishing opportunities of shared stocks), Fisheries Science, Quota Management.

1.8 Rural Development Programme (RDP)

The Rural Economy and Legislation Division delivers the Welsh RDP which was formally adopted by the European Commission on 26th May 2015, and last modified in December 2021, outlining the priorities of Wales for using the nearly € 977 million of public money that is available for the 7-year period 2014-2020 (€ 651.6 million from the EU budget, including € 288.2 million transferred from the envelope for CAP direct payments, and € 325.4 million of national co-funding).

Through the Rural Development Programme 2014-20 (RDP), which runs until the end of 2023, we are continuing to deliver a wide range of schemes which support priorities within my own portfolio, as well as others. By the end of the programme we will have invested £838m¹ into rural Wales.

The RDP focuses mainly on restoring, preserving and enhancing ecosystems related to agriculture and forestry and enhancing farm viability and competitiveness of all types of agriculture and promoting innovative farm technologies and the sustainable management of forests. With 56% of the support allocated to better management of

¹ Subject to fluctuations in the exchange rate.

natural resources and encouraging climate-friendly farming practices, the aim is to protect 270,000 hectares of farmland through environmental land management targeted to specific biodiversity, water management and soil erosion objectives. The productivity of farming and forestry will be boosted, which will result in economic growth and more jobs. Support will also target tourism and renewable energy as well as improving ICT and broadband infrastructure for about half a million people.

In addition, the programme will promote genuine local economic partnerships and the LEADER approach, covering almost half of the rural population. Moreover, 34,000 training places will be created to foster innovation, knowledge transfer, co-operation, more sustainable farming practices and stronger rural businesses.

1.8.1 Continued agricultural payments ahead of transition to the new scheme – both the Basic Payment Scheme and Rural Development Plan schemes

The Rural Economy and Legislation Division is responsible for co-ordinating the delivery of schemes replacing the RDP. The Welsh Government continues to provide significant funding to farmers, land managers and rural communities. We have signalled our intention to maintain our support for farmers through the Basic Payment Scheme (BPS) in 2022 and 2023. I will consider future levels of BPS funding in due course.

Through the Rural Development Programme 2014-20 (RDP), which runs until the end of 2023, we are continuing to deliver a wide range of schemes which support priorities within my own portfolio, as well as others. By the end of the programme we will have invested £838m² into rural Wales.

As farming businesses and rural industries transition away from support through the RDP we will use resources which are replacing EU funding to invest in our rural communities. For the first time, activity will respond directly to domestic commitments rather than EU priorities. The interventions support the transition to the new farming scheme through:

- maintaining and enhancing activity most closely aligned to sustainable land management principles, where schemes in EU RDP end before the launch of the new farming scheme. This is to ensure continuity of support during the transition period; and
- funding new activity aligned to sustainable land management principles, where this is already enabled through domestic policy.

The revised Programme for Government, following the Labour-Plaid Cymru Co-operation Agreement, reflects the need for sustainability payments for farmers as they transition to a new system of farm support. I have signalled my intention to maintain BPS at the current level 2022 and 2023.

Through the RDP I have extended Glastir agri-environment contracts until the end of 2023 at a total cost of approximately £70m to ensure the gains made through these schemes are maintained, ahead of the introduction of the SFS. These extensions will support our commitments to move to Net Zero and tackle climate change.

² Subject to fluctuations in the exchange rate.

In line with our commitments to significantly increase tree planting, our Glastir Woodland schemes provide capital funding to create and sustainably manage woodlands. The Timber Business Investment Scheme provides finance to private forest owners, local authority or other public sector forest, which can be used for improvements that add value to forests for woodland management activities, timber harvesting and/or timber processing.

The RPW IT platform is expected to support several schemes including; to enable communities to create 30 new woodlands; deliver nature-based flood management in all major river catchments to expand wetland and woodland habitats; and establish a targeted scheme to support restoration of seagrass and saltmarsh habitats. Thereby a number of Programme for Government commitment will be supported, in particular, carbon reduction and biodiversity.

We will target replacement EU funding at farmers and land managers as they transition towards the Sustainable Farming Scheme (SFS) – this will include a focus on environmental improvements, farm scale land management, productivity, and diversification. We will also target landscape scale land management and food supply chains. All of these priorities support PfG commitments.

I will announce more details of future funding plans once I have had the opportunity to consider proposals put forward by my officials.

[1.8.2 Update on discussions with the UK Government about future funding for agriculture support](#)

Discussion with UKG are ongoing, although UKG is still not matching previous levels of agricultural funding provided to Wales by the EU. WG is considering whether to invoke the as yet untested dispute resolution process to try to progress this matter.

1.9 Rural Payments Wales

Rural Payments Wales (RPW) is the largest division in the Welsh Government (with 350 FTE staff) operating as the paying agency for the European Union, among other schemes.

We operate the domestic Basic Payment Scheme and over 30 different schemes under the Rural Development Programme (RDP) and European Maritime and Fisheries Fund (EMFF), with annual payments worth approx. £340m validated and processed to over 17,000 Welsh farmers, fishers, businesses and rural communities every year.

Under the EU Withdrawal Agreement, the RDP and EMFF programmes will operate under EU law in the UK until December 2023 and continue to be administered by RPW.

An RPW Change Programme has been set up to formally and compliantly close the CAP and EMFF programmes in Wales whilst simultaneously planning and implementing the transition from EU programmes to the new schemes to be introduced under Welsh Government policies as set out in the Welsh Agricultural Bill and Fisheries Bill.

1.10 Minister for North Wales and Chair of the Standing Committee for Cabinet on North Wales

As the Minister for North Wales, I am determined to ensure that North Wales has a strong, fair and bright future that leaves no one behind. Our government has been working steadfast to bring forward a series of exciting developments for the region, from investment into our national parks and AONBs, through to the establishment of a North Wales medical school, to targeted interventions that help to address the challenges we have faced as a result of the pandemic. I'm excited about the future of North Wales and the developments to come.

In my role as Chair of the Standing Committee for Cabinet on North Wales, I lead the Committee and its members in the consideration of such matters relating to sustainable and inclusive social and economic development, post-pandemic recovery, and improving the health and quality of life of Welsh citizens in North Wales.

2. Withdrawal from the European Union

2.1 Agricultural Policy (including the proposed Sustainable Farming Scheme for Wales)

The UK Government has adopted the same methodology to replacement EU funding in this Spending Review as they did this year (2021/22). We disagree with this approach, which nets off outstanding EU spending. It led to a shortfall in expected funding of £137m this year, and the same approach will see Wales receive at least £106m less than expected over the period of this Spending Review. Along with her counterparts in the Scottish Government and the Northern Ireland Executive, the Minister for Finance and Local Government has written to the Chief Secretary of the Treasury outlining our objections to this approach.

2.2 Bovine TB eradication

It has been confirmed by DEFRA that the UK Government has decided not to participate (as a third country) in the EU's Single Market Programme from 2021. This means there will be no opportunity for further EU funding for the UK Bovine TB Eradication Programme after 31 December 2021. The final payment of £1.09m EU funding was received in August 2021, this relates to the 2020 Eradication Programme.

Current bovine TB policy is driven by a European Union framework, formed by legislation (77/391/EEC and 78/52), which requires Member States to develop eradication programmes in order to accelerate, intensify or carry through the eradication of bovine TB.

Our Eradication Programme is reviewed on an annual basis as part of the submission of the UK TB Eradication Plan to the EC and has received endorsement by the EC for nine years running.

The UK Plan covers Wales, England and Northern Ireland. Scotland achieved Officially TB Free Status. Council Directive 64/432/EEC states that a Member State or

part of a Member State may be declared officially tuberculosis-free if it meets the following conditions:

- The percentage of bovine herds confirmed as infected with tuberculosis has not exceeded 0.1 % per year of all herds for six consecutive years.
- At least 99.9 % of herds have achieved officially tuberculosis-free status each year for six consecutive years.
- The calculation of this latter percentage to take place on 31 December each calendar year.

After leaving the European Union, we will not be relaxing the controls we are currently implementing. As we progress towards eradication it is highly likely that we will need to implement more stringent measures in order to further bear down on disease.

Welsh Government colleagues have provided the EU Finance Task & Finish Group with details relating to the historic level of EU funding that TB received from the EU (approximately £3 – 4m per financial year) in an attempt to ensure that Welsh Government receive this level of funding from HMT post EU transition. Defra have confirmed that there is no additional funding agreed from HMT, and that spending reviews with treasury would need to try to account for this.

Historically, EU funding has been capped at €31m for the UK. For 2017 the EU allocated the UK €27.64m in funding and for 2018, 2019 and 2020 this amount has been further reduced due to reprioritisation of funding within the EC. The history of funding can be seen in the table below.

Following some negotiation, the European Commission approved the UK TB Eradication Plan for 2020 and associated co-funding of €3.00m to be split between Wales, and Northern Ireland. We expect to receive the final instalment of £1.13m EU funding in late 2021, this will relate to the 2020 Eradication Programme.

It has been confirmed by DEFRA that the UK Government has decided not to participate (as a third country) in the EU's Single Market Programme from 2021. This means there will be no opportunity for further EU funding for the UK Bovine TB Eradication Programme after 2021

2.3 Fisheries Policy (including the delivery of a Joint Fisheries Statement and Fisheries Management Plans)

We have a statutory commitment to deliver a Joint Fisheries Statement (JFS), with the other UK administrations, which will set out our policies to achieve, or contribute to the achievement of, the UK Fisheries Objectives. The Objectives reflect the cornerstone of good fisheries management and therefore a large proportion of our existing policies and future strategic approach will deliver against them. The majority of fisheries management is devolved and implementation of JFS policies will be taken forward by each fisheries policy authority in line with the devolved settlements. The JFS will set out a list of Fisheries Management Plans (FMPs), to be delivered over the lifetime of the first Statement. All necessary impact assessments will be carried out during the development of any new policies over the lifetime of the JFS, including for the development of the Fisheries Management Plans.

Some of these FMPs will be joint approaches with other Administrations to reflect the geographic extent of the particular fish stocks. Others will be regional Wales plans and will reflect and support the considerations I am undertaking in relation to our own policy aims and ambitions.

I will be seeking views on the specific proposals and timings for publication of FMPs through the JFS public consultation in January. The JFS will also be subject to scrutiny in the Senedd in the New Year also. The JFS must be published within two years of royal assent of the Fisheries Act 2020, by 23 November 2022

2.4 Post-Brexit Food and Drink Strategy

Welsh Government's strategic vision for the food and drink manufacturing and processing industry was published on 29 November 2021 and is to create a strong and vibrant industry with a global reputation for excellence, having one of the most environmentally and socially responsible supply chains in the world. It is focussed on goals to:

- generate business growth and raise productivity;
- to spread Fair Work for employees;
- to reach higher levels of environmental sustainability; and
- to raise and promote the industry's reputation and professional standards.

The approach builds on the work achieved over the last decade, recognises the disruption of EU-Exit and Covid-19, and is predicated on a partnership with businesses and stakeholders in which Welsh Government support will increasingly be conditional on shared values and actions.

The industry operates within a context of socio-economic issues such as the heightened concern to address the environmental and health impacts of food production and diet, a changed UK trading environment, the urgent need to decarbonise and minimise waste and environmental impact. With businesses located across Wales, the food and drink industry is part of a foundational economy and integral to supply chains which connect, in some sectors, to Welsh farming and fishing, and to retail, wholesale and the service sector where the industry's product offer is increasingly valued by consumers and is a USP for tourism.

Welsh Government intervention will focus on ten main areas:

- basing decisions about policy and support on evidence, using research, evaluation and market insight to inform and guide, and assisting businesses and stakeholders to develop knowledge capability to help themselves;
- growing stronger businesses which can sustainably grow and have market leading productivity;
- building networks, driving collaboration through networks, clusters, integrated with technical support, to spread best practice and find opportunities to add value;
- tackling systemic weaknesses such as supporting small businesses to become medium, and medium to become large, improving the infrastructure of business premises, aggregators and wholesalers and connecting these to create strong, local networks and supply chains.

- providing strong technical back-up, building on the success of Food Innovation Wales;
- finding and exploiting opportunities in the UK market, furthering our Retail Plan, making inroads into the service and wholesale sectors, and seizing the opportunities of growing Direct to Consumer sales channels;
- increasing our exports and using our products and businesses to showcase Wales, with Blas Cymru our flagship event to champion the industry to a UK and international audience;
- building a strong brand, focussing on products and businesses which represent the best of Wales, expanding our Protected Food Names family;
- attracting investment into businesses and our food infrastructure;
- ensuring our support is leverage for driving the Welsh Government's core priorities such as for sustainability, prosperous communities, decarbonisations, and fair work.

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

2.5 Sufficient staffing resource for the development of policies and legislation associated with Brexit

Welsh Government has nominally recruited to deal with critical new areas of work arising from the UK's withdrawal from the European Union - for example preparing our borders. However, this is about more than staff resource. It is also about how we adapt and continue to respond to a completely new way of working for Wales, our role in the UK and our engagement with the EU and other trading nations. For example, the Minister for Climate Change and I are part of a formal Inter-Ministerial group with UK Government (Defra), SG and NIE, in which we now have to agree how we work together to further policy where powers have flowed back from the EU.

This work is supported by a series of common frameworks which will be scrutinised by committee after upcoming publication. These set arrangements for how we come together across the UK in subject areas. Furthermore, the machinery of the EU TCA is still evolving and requiring us to think differently about how we respond, in the same way as we need to understand an evolving trading environment.

3. Legislation

We will introduce an Agriculture Bill in the first year of the Senedd. This will be an ambitious piece of legislation reforming decades of EU farm support and represents a significant change to the sector. The Bill will focus on the key areas needed to support farmers in the coming years and, crucially, establish a new system of farm support based on the principles of Sustainable Land Management.

Alongside the legislation, we will publish an outline of the proposed Sustainable Farming Scheme. This will not be the final Scheme, but it will include detail on the structure and the specific actions which we are proposing farmers will be asked to undertake. The actions in the Scheme will have undergone a range of analysis to

estimate the economic cost to the farm business of undertaking them and the resulting environmental benefits. This will allow us to have detailed conversations with farmers on the proposals and test our thinking. This will be facilitated through our second phase of co-design. We will also launch a range of interventions which will help both prepare the ground for the new scheme and pilot the process which will be used to deliver it. The budget allocation supports this activity.

4. Preventative Spend

4.1 Details of the proportion of portfolio budget allocated to preventative spending measures and how this has increased compared to last year's budget.

Funding allocated to the RDP and replacement funding is preventative – targeting agri-environment improvements through Glastir; improved productivity and viability of businesses through BPS, the Food Business Investment Scheme, and the Rural Business Investment Scheme; the creation and restoration of woodland; and many other schemes being delivered and being developed.

We have maintained the match funding element of RDP through to the end of the programme, ensuring we will spend all of the resources available to us. All of the replacement funding provided by the UK Government is being transferred to my budget, which will be used to support transition to SFS and for other Programme for Government priorities.

4.2 Details of which specific policies or programmes in the portfolio are intended to be preventative.

RDP and replacement capital funding programmes are designed in such a way to promote sustainable practices and drive reduction in carbon emissions (and therefore work to prevent the impact of climate change). For example, through the Sustainable Production Grant, delivered through the RDP, grants range from £12,000 to £50,000 as a maximum 40% contribution to project costs. The items supported will include, amongst other things, covered and uncovered slurry storage and management equipment. This will give more farmers the opportunity to take the lead in tackling agri-pollution to improve water, soil and air quality.

5. Evidence-based policy making

5.1 An explanation of how you have used evidence in prioritising your draft budget allocations and how you will monitor and evaluate programmes to ensure they provide value for money and inform future budget setting processes.

The Welsh environment underpins the agriculture, fisheries, tourism and forestry sectors, and is of importance to other policy areas including health and well-being, energy and infrastructure. In order to inform the development of policies that build social, economic and environmental resilience and to evaluate programme implementation we are investing annually in the Environment & Rural Affairs Monitoring and Modelling Programme (ERAMMP).

ERAMMP is delivering a programme of environmental monitoring and modelling; it collects and assimilates data, undertakes analysis and modelling and supplies policy teams, NRW and stakeholders with targeted evidence.

With regards to the Rural Development Plan (RDP), I acknowledge the importance of the evaluation of the current Programme to provide an evidence base for any future arrangements. The evaluation plan for the current RDP was formally agreed with the European Commission as part of the Programme approval, the evaluation plan and delivery against this is a mandatory component of the Programme.

I will ensure robust monitoring and evaluation are put in place to assess the impact and effectiveness of schemes to be delivered with replacement funding, which are currently being developed. We will seek to learn from the monitoring and evaluation framework in place for RDP funding. Value for money will be cornerstone of all evaluation.

[5.2 Details of how the development of the draft budget has been informed and influenced as a result of consultation with stakeholders.](#)

6. Well-being of Future Generations Act

6.1 How the Act has informed decisions on specific budget allocations

My draft budget preparations shows how I have sought to reflect the framework of the Wellbeing of Future Generations Act in setting our spending priorities. We reviewed current trends and future projections and their potential impacts in the short, medium and longer term. We did this to ensure, as far as possible, that short term responses do not have longer term detrimental impacts.

Through the Sustainable Management Scheme (SMS) we are supporting collaborative landscape-scale projects delivering action that improves our natural resources in a way that delivers benefits to farm and rural businesses and rural communities. It will also support and facilitate co-ordination with other schemes to undertake the vital action needed to improve the resilience of farm and rural businesses and rural communities to climate impacts. The SMS is designed to support the delivery of our commitment to sustainable development as set out in the Well-being of Future Generations Act. The need to tackle inter-generational challenges, such as climate change and declining biodiversity, means that interventions and actions need to be undertaken to enable Wales to grow, to improve resilience and to manage our natural resources sustainably and efficiently.

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

6.2 How has the impact assessment process has influenced the development of the draft budget, including examples of where a decision has been assessed against the Welsh Government's well-being objectives

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

I am pleased to note we've not made any budget reductions in this draft budget, and so any impact assessments were carried out on a number of new budget and policy initiatives. All of the schemes and projects we will take forwards have been assessed through the lens of our well-being objectives, and all will need to undertake impact assessments to secure funding.

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

7. Equality, Welsh language and children's rights assessment

7.1 Impact of the draft budget on groups with protected characteristics and the Welsh language, including details of any relevant impact assessments

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

7.2 How children's rights have been considered in the budget decisions for the portfolio

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

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

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

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

8. Budget

8.1 Details of the evidence base for budget decisions.

We are committed to delivering a strategic approach to Fisheries, working with stakeholders. A clear focus will be on delivery of sustainable fisheries, managed in

an adaptive way, for which we have budget allocated for in the financial year. I intend to work with stakeholders to establish the priorities for delivery.

A key enabler will be the underpinning of our strategic approach by a clear plan for investment in our seafood sector, and crucial to this investment will be the support we provide through a replacement to the EMFF scheme. We will design and develop a funding scheme, which will help us to deliver our strategic goals.

The JFS must be published within two years of royal assent of the Fisheries Act 2020, by 23 November 2022. FMP and policy development associated with the JFS will be managed and prioritised within existing DRC and budget allocation for financial year 2022-23.

The Environment & Rural Affairs Monitoring and Modelling Programme (ERAMMP) is supporting the development of the proposed Sustainable Farming Scheme (see para 5.1). In addition, the work estimating the economic effects of the proposed Scheme is being undertaken by a consortium of academics and consultants led by ADAS. This work represents an independent assessment of the economic effects of our proposals. The work is estimating the economic effects of key actions that we anticipate will form an important part of the proposed Scheme. These actions include habitat management; woodland management and creation; and land and nutrient management.

[8.2 Details of the processes in place for monitoring budgets throughout the year, identifying potential deficits and surpluses, and taking remedial action to get the budget back on track or allocating additional funds to cover any shortfall](#)

All budgets continue to be monitored and challenged on a monthly basis during 2021-22 and will continue in 2022-23, to consider the latest forecasts and budget movements as necessary. I receive regular financial updates on the forecasts for the MEG to ensure that budgets remain on track to deliver my priorities. We maintain very close monitoring to ensure funding is being invested where best needed whilst supporting our priorities – in the right place, at the right time. Governance arrangements and structures remain in place around the COVID-19 pandemic.

[8.2 How the draft budget provides for the implementation of legislation passed in the Senedd, as well as any relevant UK legislation.](#)

WG have committed to introducing the National Minimum Standards (NMS), Sustainable Farming Scheme (SFS), and Civil Sanction (CS) within the Agricultural White Paper and have two Bills scheduled within this term. These policies, while there is a link, are distinct policies which stand on their own. NMS provides a regulatory baseline that applies to all farmers, SFS allows WG to support those who exceed this baseline, and CS provides a range of proportional enforcement tools for those who fall below the baseline.

Delivering this strategy will both meet Ministerial commitments and ensure a joined-up and consistent agricultural policy.

3.0 Budget Structure

Summary of Budget Changes

The table below provides an overview of the plans summarised at a high level by business area for the Rural Affairs MEG.

The total revenue budget is summarised in Table 1 below:

TABLE 1: Overview of the Resource Budget										
	2021-22 Final Budget £'000	2022-23 New Plans Draft Budget £'000	Change £'000	% Change	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Revenue										
Agriculture, Food & Fisheries	295,612	300,212	4,600	2%	363,212	63,000	21%	385,212	22,000	6%
Protect and Improve Animal Health & Welfare	31,699	41,499	9,800	31%	41,499	0	0%	41,499	0	0%
Rural Affairs Monitoring and EU Exit Strategy	2,834	3,434	600	21%	3,434	0	0%	3,434	0	0%
Sub Total	330,145	345,145	15,000	5%	408,145	63,000	18%	430,145	22,000	5%
Non Cash										
Agriculture, Food & Fisheries	11,554	10,817	-737	-6%	10,817	0	0%	10,817	0	0%
Sub Total	11,554	10,817	-737	-6%	10,817	0	0%	10,817	0	0%
TOTAL	341,699	355,962	14,263	4%	418,962	63,000	18%	440,962	22,000	5%

The total capital budget is summarised in Table 2 below:

TABLE 2: Overview of the Capital Budget										
	2021-22 Final Budget £'000	2022-23 New Plans Draft Budget £'000	Change £'000	% Change	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
General Capital										
Agriculture, Food & Fisheries	14,456	37,200	22,744	157%	37,200	0	0%	37,000	(200)	-1%
Rural Affairs Monitoring and EU Exit Strategy	150	0	(150)	-100%	0	0	0%	0	0	0%
TOTAL	14,606	37,200	22,594	155%	37,200	0	0%	37,000	(200)	-1%

3.1 Resource

The increase in the resource budget of £100m over the next three financial years is set out in Table 3 below:

TABLE 3: Fiscal Resource Budget Movements				
	2022-23 £'000	2023-24 £'000	2024-25 £'000	Total £'000
Additional Allocations				
Replacement Farm Funding	0	63,000	22,000	85,000
TB Compensation	5,000	0	0	5,000
Other PfG Pressures (made up of below)	10,000	0	0	10,000
Animal Health	4,800	0	0	4,800
Additional to Support SFS	3,350	0	0	3,350
Food Community Strategy	1,850	0	0	1,850
Total Fiscal Resource Movements	15,000	63,000	22,000	100,000

In 2022-23 the Revenue budget increases by £15m against the 21-22 baseline. The £5m allocation supports my statutory obligations to fund TB compensation, which I have been managing as a pressure in previous years across my MEG. The other baseline allocations are to support Animal Health & Welfare and support the delivery of the commitments in the Co-operation Agreement with Plaid Cymru.

The Farm funding replacement from the UK is direct EU replacement funding received for BPS and the RDP (if we remained in the EU) and therefore the available budget for farm funding has not increased.

Capital

The capital budget allocations of £37m per annum is set out in Table 4 as follows:

TABLE 4: Capital Budget Allocations				
	2022-23 £'000	2023-24 £'000	2024-25 £'000	Total £'000
Allocations				
General Capital				
Livestock Identification and Movement	1,000	1,000	1,000	3,000
Marine & Fisheries	200	200	0	400
Rural Payments Wales IT	6,000	6,000	6,000	18,000
WG Rural Communities - RDP	9,500	9,500	0	19,000
WG Rural Communities - RESP	20,500	20,500	30,000	71,000
Total Capital Allocations	37,200	37,200	37,000	111,400

1.0 Agriculture, Food & Fisheries – FUNDING OF ACTIONS

	2021-22 Final Budget £'000	2022-23 New Plans Draft Budget £'000	Change £'000	% Change	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Agriculture, Food & Fisheries										
Revenue	295,612	300,212	4,600	2%	363,212	63,000	21%	385,212	22,000	6%
Non Cash	11,554	10,817	(737)	-6%	10,817	0	0%	10,817	0	0%
Capital	14,456	37,200	22,744	157%	37,200	0	0%	37,000	(200)	-1%
TOTAL	321,622	348,229	26,607	8%	411,229	63,000	18%	433,029	21,800	5%

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

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

Develop and deliver overarching policy and programmes on Agriculture, Food and Marine BEL's REVENUE	2021-22 Final Budget £'000	2022-23 New Plans Draft Budget £'000	Change £'000	% Change	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Agriculture Strategy (2829)	400	650	250	63%	650	0	0%	650	0	0%
Local Authority Framework Funding (2831)	200	200	0	0%	200	0	0%	200	0	0%
Agriculture Customer Engagement (2860)	400	400	0	0%	400	0	0%	400	0	0%
County Parish Holdings Project (2861)	500	500	0	0%	500	0	0%	500	0	0%
EID Cymru (2862)	2,639	2,639	0	0%	2,639	0	0%	2,639	0	0%
Livestock Identification (2863)	1,647	1,647	0	0%	1,647	0	0%	1,647	0	0%
Technical Advice Services (2864)	358	358	0	0%	358	0	0%	358	0	0%
Commons Act (2866)	433	433	0	0%	433	0	0%	433	0	0%
Total Revenue	6,577	6,827	250	4%	6,827	0	0%	6,827	0	0%

Develop and deliver overarching policy and programmes on Agriculture, Food and Marine BEL's CAPITAL	2021-22 Final Budget £'000	2022-23 New Plans Draft Budget £'000	Change £'000	% Change	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
EID Cymru (2862)	2,100	0	(2,100)	-100%	0	0	0%	0	0	0%
Livestock Identification (2863)	0	1,000	1,000	0%	1,000	0	0%	1,000	0	0%
Commons Act (2866)	1,200	0	(1,200)	-100%	0	0	0%	0	0	0%
Total CAPITAL	3,300	1,000	- 2,300	-70%	1,000	0	0%	1,000	0	0%

The Technical Advice Services BEL (2864) supports the delivery of a range of statutory duties, policy development and support services in relation to agriculture and the environment including, but not limited to, TB valuations, Environmental Impact Assessment (EIA) Agriculture Regulations, Agricultural Land Classification, plant health, Agricultural Land Tribunals, Agricultural Wages, the Agricultural Advisory Panel for Wales and the Control of Agricultural Pollution Regulations.

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

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

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

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

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

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

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

CAP administration and making Payments in accordance with EU and WAG rules BEL's REVENUE	2021-22 Final Budget £'000	2022-23 New Plans Draft Budget £'000	Change £'000	% Change	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Agriculture EU Pillar 1 Direct Payments (2787)	238,000	238,000	0	0%	238,000	0	0%	238,000	0	0%
Single Payment Scheme Administration (2790)	6,694	9,194	2,500	37%	9,194	0	0%	9,194	0	0%
Total Revenue	244,694	247,194	2,500	1%	247,194	0	0%	247,194	0	0%

CAP Administration and making payments according to EU and WG rules BEL's CAPITAL	2021-22 Final Budget £'000	2022-23 New Plans Draft Budget £'000	Change £'000	% Change	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Common Agriculture Policy IT (2789)	1,505	6,000	4,495	299%	6,000	0	0%	6,000	0	0%
Total CAPITAL	1,505	6,000	4,495	299%	6,000	0	0%	6,000	0	0%

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

BEL 2790 RPW ICT systems comprises three main components:

- **CAPIT:** A rules bases application validation and payment system.

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

Rural Economic and Sustainability Programme

Rural Economic and Sustainability Programme BEL's REVENUE	2021-22 Final Budget £'000	2022-23 New Plans Draft Budget £'000	Change £'000	% Change	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Rural Economic and Sustainability Programme (2833)	6,880	6,880	0	0%	79,200	72,320	1051%	118,382	39,182	49%
Total Revenue	6,880	6,880	0	0%	79,200	72,320	1051%	118,382	39,182	49%

Rural Economic and Sustainability Programme BEL's CAPITAL	2021-22 Final Budget £'000	2022-23 New Plans Draft Budget £'000	Change £'000	% Change	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Rural Economic and Sustainability Programme (2833)	0	20,500	20,500	0%	20,500	0	0%	30,000	9,500	46%
Total CAPITAL	-	20,500	20,500	#DIV/0!	20,500	0	0%	30,000	9,500	46%

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

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

Welsh Government Rural Communities: Delivering the programmes within the Rural Development Plan 2014-20 BEL's REVENUE	2021-22 Final Budget £'000	2022-23 New Plans Draft Budget £'000	Change £'000	% Change	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Rural Development Plan 2014-20 (2949)	26,502	26,502	0	0%	17,182	(9,320)	-35%	0	(17,182)	-100%
Total Revenue	26,502	26,502	0	0%	17,182	(9,320)	-35%	0	(17,182)	-100%

Welsh Government Rural Communities: Delivering the programmes within the Rural Development Plan 2014-20 BEL's CAPITAL	2021-22 Final Budget £'000	2022-23 New Plans Draft Budget £'000	Change £'000	% Change	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Rural Development Plan 2014-20 (2949)	9,418	9,500	82	1%	9,500	0	0%	0	(9,500)	-100%
Total CAPITAL	9,418	9,500	82	1%	9,500	0	0%	-	(9,500)	-100%

BEL 2949 - The Welsh Government Rural Communities – Rural Development Programme 2014-2020 is a 7 year investment programme supporting a wide range of activities.

Evidence based development for Rural Affairs

Evidence based development for Rural Affairs BEL's REVENUE	2021-22 Final Budget £'000	2022-23 New Plans Draft Budget £'000	Change £'000	% Change	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Research & Evaluation (2240)	520	520	0	0%	520	0	0%	520	0	0%
Total Revenue	520	520	0	0%	520	0	0%	520	0	0%

This BEL funds important research and evaluation activity in relation to Welsh agriculture. This comprises two strands:

- 1) The Farm Business Survey (FBS) is an annual survey of farm businesses in Wales. It is conducted with the primary purpose of collecting detailed physical and financial data about the economic position of farm businesses throughout Wales. The survey is the primary source of information on the economics of farm businesses. The survey provides evidence on the levels of income in different agricultural sectors in Wales, financial performance, and farms' financial situation (assets, liabilities, net worth). For example, the Farm Business Survey is the source of the commonly quoted figure: on average, 80% of Welsh farmers' income derives from the Basic Farm Payment.
- 2) The FAPRI-UK economic modelling research project involves the development and maintenance of an economic modelling system which captures the dynamic inter-relationships among the variables affecting supply and demand in the main agricultural sectors of Wales, England, Scotland and Northern Ireland. The FAPRI-UK research project will provide a key source of evidence on domestic agriculture policy.

Fisheries and aquaculture including the enforcement of Welsh Fisheries

Fisheries and aquaculture including the enforcement of Welsh Fisheries BEL's REVENUE	2021-22 Final Budget £'000	2022-23 New Plans Draft Budget £'000	Change £'000	% Change	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Fisheries Schemes (2830)	2,215	2,215	0	0%	2,215	0	0%	2,215	0	0%
Fisheries (2870)	3,024	3,024	0	0%	3,024	0	0%	3,024	0	0%
Total Revenue	5,239	5,239	0	0%	5,239	0	0%	5,239	0	0%

Fisheries and aquaculture including the enforcement of Welsh Fisheries BEL's CAPITAL	2021-22 Final Budget £'000	2022-23 New Plans Draft Budget £'000	Change £'000	% Change	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Fisheries Schemes (2830)	233	200	(33)	-14%	200	0	0%	0	(200)	-100%
Total CAPITAL	233	200	(33)	-14%	200	0	0%	0	(200)	-100%

BEL 2830 - This BEL supports the co-financing of the European Maritime and Fisheries Fund (EMFF) which offers financing to industry and directly to Welsh Government to implement the revised Common Fisheries Policy through the development of sustainable fisheries and aquaculture. The scheme combines data collection, integrated maritime policy and control / enforcement funding elements directly to Welsh Government. The EMFF is a UK fund with a core allocation of €145m. The intra UK split was agreed, following negotiations between the UK Administrations at both Ministerial and senior official level.

BEL 2870 covers funding for the following;

- **Marine Biodiversity** working with the eNGOs to develop a short term recovery plan which leads to a longer term programme of restoration
- **Marine Planning (inc Renewables)** To support implementation of the Welsh National Marine Plan and compliance with statutory duties under the Marine and Coastal Access Act 2009, specialist technical support is provided by the Centre for Environment, Fisheries and Aquaculture Science (CEFAS) to the marine planning project. The £168,000 budget is an existing, signed contractual obligation for CEFAS staff to provide this support.
- **Fisheries Science and Evidence**
- **Fisheries Digital Systems** – Digital fisheries management systems include a range of IT systems for catch recording, vessel monitoring, recording fisheries and marine licence inspections, fish sales records and health and safety systems for enforcement officers.
- **Domestic Fisheries Policy** The Domestic Fisheries Policy and Management Branch will continue to meet statutory obligations to manage permitted fisheries and deliver longstanding commitments to introduce secondary legislation for fisheries. This work will ensure our fisheries are sustainable by protecting the environment whilst, at the same time, maximising the economic and social benefits of fisheries to Wales.
- **Marine & Fisheries Trade** - core funding for Welsh Fisherman's Association (WFA)
- **Control & Enforcement** -The Control and Enforcement budget covers all operational costs around Control and Enforcement staff, Fisheries Patrol Enforcement Team and Fisheries Patrol Vessels including maintenance, fuel and insurance.

- **Stakeholder Engagement** - Marine and Fisheries has two overarching stakeholder groups. Wales Marine and Fisheries Advisory Group (WMFAG) has a publicly appointed chair and represents the Fisheries sector. The Wales Marine Action and Advisory Group (WMAAG) has a contractual facilitator and represents the marine sector. Costs are contractual obligations with remaining funds for venue hire, catering and associated subsistence costs.

Developing and Marketing Welsh Food and Drink

Developing and Marketing Welsh Food and Drink BEL's REVENUE	2021-22 Final Budget £'000	2022-23 New Plans Draft Budget £'000	Change £'000	% Change	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Promoting Welsh Food and Industry Development (2970)	5,200	7,050	1,850	36%	7,050	0	0%	7,050	0	0%
Total Revenue	5,200	7,050	1,850	36%	7,050	0	0%	7,050	0	0%

BEL 2970 funds programmes across the food spectrum, leveraging financial resources from wider Welsh Government including RDP, EFF, ERF and a number of smaller initiatives as well as external funding sources such as Growth Deals;

- support business survival and resilience post Covid-19 and EU exit by leveraging funds to support food sector growth, working with retailers to encourage increased Welsh food and drink product listings, helping to secure an increased online presence of Welsh producers and promotion activities to increase the Welsh food manufacturing's share of supply into the food service sector, tourism and the public sector; and
- promote the Welsh food industry through international events and networks designed to increase inward investment.

Protect and Improve Animal Health & Welfare – FUNDING OF ACTIONS

Protect and Improve Animal Health & Welfare	2021-22 Final Budget £'000	2022-23 New Plans Draft Budget £'000	Change £'000	% Change	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Revenue	31,699	41,499	9,800	31%	41,499	0	0%	41,499	0	0%
TOTAL	31,699	41,499	9,800	31%	41,499	0	0%	41,499	0	0%

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

Support and Delivery of the Animal Health and Welfare programme / strategy

Support and Delivery of the Animal Health and Welfare programme / strategy BEL's REVENUE	2021-22 Final Budget £'000	2022-23 New Plans Draft Budget £'000	Change £'000	% Change	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Animal Health & Welfare Framework (2270)	108	1,108	1,000	926%	1,108	0	0%	1,108	0	0%
Total Revenue	108	1,108	1,000	926%	1,108	0	0%	1,108	0	0%

This budget covers a range of Government expenditure on animal health, welfare, disease prevention and control as well as surveillance and proactive management/contingency planning for exotic diseases. It includes on-going support to the Wales Animal Health and Welfare Framework Group and the Antimicrobial Resistance (AMR) in Animals and the Environment Delivery Group. This enables us to work in partnership with industry to raise standards of animal health and welfare, promote the responsible use of antibiotics and take effective action to manage animal disease outbreaks.

Management and delivery of TB Eradication and other Endemic Diseases

Management and delivery of TB Eradication and other Endemic Diseases BEL's REVENUE	2021-22 Final Budget £'000	2022-23 New Plans Draft Budget £'000	Change £'000	% Change	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Animal and Plant Health Agency (2271)	15,281	18,281	3,000	20%	18,281	0	0%	18,281	0	0%
TB Slaughter Payments Costs & Receipts (2272)	8,810	13,810	5,000	57%	13,810	0	0%	13,810	0	0%
TB Eradication (2273)	7,500	8,300	800	11%	8,300	0	0%	8,300	0	0%
Total Revenue	31,591	40,391	8,800	28%	40,391	0	0%	40,391	0	0%

The majority of funding supports the delivery of the Animal and Plant Health Agency (APHA) services in Wales. The funding helps safeguard animal health and welfare as well as public health, enhances food security through research, surveillance and inspection.

The majority of funding is to meet costs of delivery services provided by APHA including contribution to GB wide APHA surveillance activity. Funding is also provided for the statutory work undertaken by Food Standards Agency and funding to cover statutory TSE compensation payments should need arise.

The large proportion of APHA activity implements statutory requirements and Welsh Government policy relating to the TB Eradication Programme (in addition to BEL 2273) as well as applying controls to ensure the protection of human health and the human food chain.

The budget is in place to mitigate:

- The failure to take effective action in the event of an exotic animal disease outbreak has wider repercussions given that the Welsh Government has contingent (financial) liability for unbudgeted costs in those circumstances e.g. cost to Government in Wales was estimated at around £100m in the 2001 Foot and Mouth Disease Outbreak when it was a non-devolved issue. In today's terms that cost could be significantly more without estimating damage to industry and

tourism in Wales where there would be a severe detrimental impact to household incomes.

- The failure to demonstrate effective control on animal disease could undermine future negotiations on a single market where requirements for having in place animal disease controls at least equivalent to other Members States may be a position heavily emphasised as part of any trade agreement with the European Community.

Reductions in levels of animal disease control will impact on current and future UK trade negotiations as the UK will be expected to be able to demonstrate levels of control at least equivalent to European Member States.

BEL 2272 is a 'demand led' budget and as previously mentioned the Welsh Government has a statutory duty to pay TB compensation. The amount of animals removed and therefore the pressure on this budget is inextricably linked to the progress of TB Eradication and the TB Eradication Programme budget (BEL 2273). Any interruption to eradication policies may result in disease spread, which in turn is likely to result in increased TB Compensation spend. If overspends occur there would be a consequence on wider OCVO and ESNR budgets, as these may also be called on to offset any overspend as seen in previous years.

BEL 2273 This budget covers a statutory commitment to the UK TB Eradication Plan. This BEL supplements the activity undertaken by our delivery partner The Animal and Plant Health Agency (APHA) to deliver TB policies, including annual testing, and initiatives and projects such as Cymorth TB and epidemiological work to help underpin the evidence and approach to the TB Eradication Programme. This work is partly funded by this BEL and also by BEL 2271 (Animal Health and Welfare Delivery and Payments).

Rural Affairs Monitoring and EU Exit Strategy - FUNDING OF ACTIONS

Rural Affairs Monitoring and EU Exit Strategy	2021-22 Final Budget £'000	2022-23 New Plans Draft Budget £'000	Change £'000	% Change	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Revenue	2,834	3,434	600	-21%	3,434	0	0%	3,434	0	0%
Capital	150	0	(150)	100%	0	0	0%	0	0	0%
TOTAL	2,984	3,434	450	15%	3,434	0	0%	3,434	0	0%

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

Rural Affairs Monitoring, EU Exit Strategy

Rural Affairs Monitoring and EU Exit Strategy BEL's REVENUE	2021-22 Final Budget £'000	2022-23 New Plans Draft Budget £'000	Change £'000	% Change	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Strategy & Government Relations (2816)	2,834	3,434	600	21%	3,434	0	0%	3,434	0	0%
Total Revenue	2,834	3,434	600	21%	3,434	0	0%	3,434	0	0%

Rural Affairs Monitoring and EU Exit Strategy BEL's CAPITAL	2021-22 Final Budget £'000	2022-23 New Plans Draft Budget £'000	Change £'000	% Change	2023-24 New Plans Draft Budget £'000	Change £'000	% Change	2024-25 New Plans Draft Budget £'000	Change £'000	% Change
Strategy and Government Relations (2816)	150	0	(150)	-100%	0	0	0%	0	0	0%
Total CAPITAL	150	0	(150)	-100%	0	0	0%	0	0	0%

This BEL supports the EU Exit and Strategy Unit. The EU Exit & Strategy Unit (EESU) was created to coordinate, support and drive our exit from the EU and transition activities. The Unit works across the Climate Change and Rural Affairs portfolios, to facilitate, co-ordinate and deliver strategic evidence, modelling and their practical applications to support the portfolios' wider policy making. With the completion of a comprehensive trade agreement with the EU the Unit's primary focus is to support the operationalisation of new cross-cutting functions and structures arising from leaving the EU, with the primary responsibility for developing, delivering, managing and communicating policies resting with each of the respective policy teams

Summary

The RA MEG Draft Budget BEL table for 2022-23 is presented to the Committee for consideration.

Lesley Griffiths

Minister for Rural Affairs, North Wales and Trefnydd

Agenda Item 4

Document is Restricted

Date: 20 January 2022

Title of paper: Evidence paper on Draft Budget Proposals for 2022-23 – Economy Main Expenditure Group (MEG)

1. Introduction

This paper provides information on the Economy budget proposals as outlined in the 2022-23 Draft Budget published on 20 December 2021. It also provides an update on specific areas of interest to the Committee. The Arts and Sport activity is being scrutinised by the Culture, Communications, Welsh Language, Sport and International Relations Committee on 19 January 2022. This paper considers the Economic Development and Employability and Skills draft budget plans.

2. Strategic Context / Covid Impacts

The [Economic Resilience and Reconstruction Mission \(Mission\)](#), published in February 2021, established the fundamental recovery principles and direction for the economic policy of the previous administration. It was developed in consultation with Welsh stakeholders and, at that time, the Ministerial Advisory Group for Economy. It was built on the foundations of [Prosperity for All: Economic Action Plan](#), which set the course for inclusive growth and remains the framework for how public investment is directed. The [Programme for Government 2021 – 2026](#) includes a commitment to progress that Mission.

As part of that progression process, in October I held an Economic summit and subsequently gave an [Oral Statement on Moving the Welsh Economy Forward](#). We know there is a long-term demographic challenge facing the Welsh economy. The proportion of the population aged 16 to 64 years old in Wales has been decreasing year-on-year since mid-2008 – mid 2019– and could be just 58% of the population by 2043. We want to create the conditions where more people, particularly the disadvantaged and young people, feel confident about planning their futures in Wales. In particular, it is my hope that by taking bold action, we will create a future where more young people feel that they do not need to get out to get on.

At the same time, if more people also positively choose to come to work in Wales, we can address the risks that come with the decline in our working age population. Overall, this means implementing a progressive economic policy that focusses on better jobs, narrowing the skills divide and tackling poverty so that we create genuine fairness in how the economy grows.

However, whilst economic prospects have improved, supply chain and staffing issues and rising inflation are hampering the recovery along with new uncertainty around the Omicron variant. In paraphrasing the words of the Office of Budget Responsibility - Brexit will double (reduce UK GDP by 4%) the long running scarring effect that the pandemic (reduce UK GDP by 2%) will have on the economy.

The UK level of GDP for the first quarterly estimate of Q3 2021 was 2.1% below where it was before the coronavirus pandemic in October to December 2019. We will get a better picture for Wales when the OBR publishes its Welsh Taxes Outlook alongside the Welsh Government Draft Budget on 20 December.

Whilst the unemployment rate in Wales at 3.7% continues to fall and it remains lower than the UK rate of 4.2%, a key part of moving the economy forward will be our upcoming Employability Strategy which will be published in spring 2022. It will set out actions to accelerate progress on achieving the new labour market Milestones; tackle structural inequalities; focus on progression pathways for young people in the labour market; increase levels of qualification and progress our Fair work ambitions.

The new context demands a fresh approach to how we work and who we support going forward, to maximise the impact of the resources we deploy, and mobilise national interventions to better meet the needs of those groups less represented in the labour market.

3. Summary of Budget Changes

The table below provides an overview of the plans summarised at a high level by business area for the Economy MEG:

TABLE 1 - OVERVIEW OF ECONOMY BUDGETS							
Business Area	2021-22 Final Budget £'000	Change £'000	2022-23 Draft Budget £'000	Change £'000	2023-24 Indicative Draft Budget £'000	Change £'000	2024-25 Indicative Draft Budget £'000
Resource							
Economy	65,605	(48)	65,557	6,000	71,557	(4,400)	67,157
Arts & Sport	118,487	5,000	123,487	3,000	126,487	6,000	132,487
Employability & Skills	195,877	17,500	213,377	5,000	218,377	14,400	232,777
Total	379,969	22,452	402,421	14,000	416,421	16,000	432,421
Capital							
Economy	86,747	(7,517)	79,230	(3,380)	75,850	(200)	75,650
Arts & Sport	38,166	5,184	43,350	8,800	52,150	3,200	55,350
Employability & Skills	0	1,920	1,920	80	2,000	0	2,000
Total	124,913	(413)	124,500	5,500	130,000	3,000	133,000
AME							
Economy	17,525	-	17,525	-	17,525	-	17,525
Arts & Sport	16,000	-	16,000	-	16,000	-	16,000
Employability & Skills	15,000	(3,000)	12,000	0	12,000	0	12,000
Total	48,525	(3,000)	45,525	0	45,525	0	45,525
TOTAL ECONOMY	553,407	19,039	572,446	19,500	591,946	19,000	610,946

3.1 Resource

The changes in the baseline from the Final Budget 2021-22 are summarised below:

TABLE 2 - BASELINE CHANGES	
Changes	2021-22 £'000
Final Budget 2021-22	379,969
Apprenticeships - Covid reserve allocation	(16,500)
Communities for Work - Covid reserve allocation	(6,000)
St Athans delivery - Transfer in from Climate Change MEG	2,842
Digital Public Services - Transfer out to Climate Change MEG	(4,900)
Strategic Infrastructure - Transfer out to Climate Change MEG	(990)
Total Change	25,548
Draft Budget 2022-23	354,421

In 2022-23 the budget change is £22.452m – baseline changes of £25.548m offset by additional in year allocations of £48m which increase by £14m and £16m in 2023-24 and 2024-25 respectively. The additional allocations over the three years are summarised as follows:

TABLE 3 - ADDITIONAL ALLOCATIONS			
Detail	2022-23 £'000	2023-24 £'000	2024-25 £'000
Young Person's Guarantee	20,000	25,000	30,000
Arfor	3,000	4,000	4,000
Culture Strategy	5,000	8,000	14,000
Apprenticeships	20,000	25,000	30,000
Total	48,000	62,000	78,000

The allocations to Culture and Arfor support the delivery of the commitments in the Co-operation Agreement with Plaid Cymru.

The resource allocation also includes non-cash depreciation of £11.598m each year for the sponsored bodies and Cadw.

3.2 Capital

The capital allocations are supported with a zero based review to deliver the new Wales Infrastructure Investment Strategy. In addition the capital plans are supported with an additional funding of **£60m** to protect arts and culture and deliver the cultural strategy: a priority in the Co-operation Agreement. This will also support wider priorities for economic development. An overview of the capital budget assessment is provided in the following table:

TABLE 4 - CAPITAL BUDGETS					
Business Area	2021-22 Final Budget £'000	2022-23 Draft Budget £'000	2023-24 Indicative Draft Budget £'000	2024-25 Indicative Draft Budget £'000	Total Budget £'000
Business & Regional Economic Development (inc. Life Sciences)	40,801	27,230	23,850	18,650	69,730
Valleys Taskforce	9,000	-	-	-	-
Tech Valleys	7,750	5,000	5,000	5,000	15,000
Strategic Infrastructure	4,200	-	-	-	-

TABLE 4 - CAPITAL BUDGETS					
Business Area	2021-22 Final Budget £'000	2022-23 Draft Budget £'000	2023-24 Indicative Draft Budget £'000	2024-25 Indicative Draft Budget £'000	Total Budget £'000
Development					
Property Infrastructure	8,386	10,000	10,000	10,000	30,000
City & Growth Deals	0	22,000	22,000	22,000	66,000
Business Innovation	4,066	5,000	5,000	10,000	20,000
Science	4,874	5,000	5,000	5,000	15,000
Tourism	7,670	5,000	5,000	5,000	15,000
Arts Council of Wales	1,575	400	400	400	1,200
National Museum of Wales	6,697	4,500	5,000	5,000	14,500
National Library of Wales	3,695	2,500	2,000	2,000	6,500
Support for Local Culture and Sport	1,430	11,700	21,500	24,700	57,900
Creative Wales (inc. media)	7,019	5,000	5,000	5,000	15,000
Cadw	8,731	10,000	10,000	10,000	30,000
National Botanic Garden of Wales	375	1,200	200	200	1,600
Royal Commission	15	50	50	50	150
Employability (inc. YPG)	0	1,920	2,000	2,000	5,920
Sport Wales	8,629	8,000	8,000	8,000	24,000
Total	124,913	124,500	130,000	133,000	387,500

To note that Strategic Infrastructure Development has transferred to the Climate Change MEG.

3.3 Annually Managed Expenditure – AME

The AME budget of £45.525m provides cover for charges that are outside the control of the portfolio, such as impairments on the property portfolio, pension valuation fluctuations for National Museum of Wales, the National Library of Wales, Sport Wales and Careers Wales. To note, there is a decrease in budget of £3m when compared to the Final Budget for a reduced requirement for Careers Wales. The budget is regularly reviewed and future adjustments made in supplementary budgets.

4. EU funding – implications

We are fully aware of the issues being faced by businesses as a result of the UK leaving the EU which, among other things, has resulted in additional costs, delays, staff shortages, access to certain goods, as well as grappling with increased paperwork and border checks associated with moving goods in and out of the EU. We have been working closely with our business representative organisations to understand these issues as well as providing support through our Business Development Managers. This budget includes investment in Business Wales and the Export Action Plan, demonstrating the practical steps we are taking to support Welsh exporters, our network of dedicated International Trade Advisers will continue to provide one-to-one advice to companies.

Our Regional Economic Frameworks (REFs) will be published shortly. They have been co-developed and co-designed with stakeholders in the regions. The Corporate Joint Committees which will be established in 2022 will ensure decision-making and

prioritisation happens in the local areas and regions and will enable them to develop their own distinctive strengths and opportunities and play a much greater role in allocating funding and managing portfolios of distinct regional projects. We will continue to work with our partners to seek opportunities for further investment in the regions of Wales.

5. Wellbeing of Future Generations Act 2015 and Preventative spending

In this unprecedented context we continue to be guided by the five ways of working in the Well-being of Future Generations (Wales) Act 2015 to improve how we make decisions. We recognise the need to collaborate with our partners and to use our collective resources effectively to plan for the tough choices ahead.

The Act forms the blueprint for a Wales that is economically, socially and environmentally sound. This government's ambition is for new national milestones to drive collaborative, shared action and act as a key measure of the pace and scale of change needed in a number of key areas.

Budget proposals reflect my continuing commitment to protect and prioritise investment that supports preventative measures as far as possible. The spending decisions have not only considered how best to meet the current demand for services but have also focused on supporting interventions. This preventative approach is an important part of our planning, both now and in the future.

We are doing all we can to support our path to recovery, ensuring the stronger Wales which emerges from the pandemic continues to value equality at its heart. Over the next three years we will continue to protect, rebuild and develop our public services, deliver for vulnerable people and communities across our country, invest in our rich heritage and culture and invest in a stronger, greener economy. That is why this year, we have prepared the budget around priority areas where our resources can have the most impact.

6. Equality, Sustainability, Welsh Language and Demographic Considerations

We have over recent years taken an integrated approach to impact assessments, as well as taking into account the impact of decisions and policies on social, economic, cultural and environmental well-being, as set out within the Well-being of Future Generations (Wales) Act, which continues to be an important driver guiding our Budget considerations.

The Draft Budget, published on 20 December 2021, sets out the impacts of our spending decisions, including highlighting spending decisions that directly impact on our stakeholders. This is complemented by the Strategic Integrated Impact Assessment (SIIA), outlining the contextual evidence that has supported our spending decisions. The SIIA also includes more-detailed case studies on the impacts of specific spending decisions, including our key PfG commitment on the new Young Persons Guarantee programme.

The three-nation NOS Governance Group ensures that activity relating to the development and review of NOS with employers and stakeholders aims to be inclusive, representative and reflect the diversity of the four UK-nations. An audit of the end-to-

end NOS system has been commissioned to identify current good practice and areas for improvement within the NOS system relating to equality and diversity.

The policy relating to National Occupational Standards (NOS) requires that consultation on the development and review of NOS should take place with a representative sample of employers from across the whole of the UK and all sectors in Wales and include an assessment of demand for Welsh translation. Where need is identified, Welsh Government NOS funding supports the translation of NOS into Welsh and their quality assurance, to ensure accuracy and consistency in terminology. Accurate translation is important as Welsh NOS frequently inform the content of Welsh-medium vocational qualifications and training programmes.

In formulating our plans, the following key demographics trends from the most recent report, produced by the Office for National Statistics (ONS), on [national population projections \(2018-based\)](#) have been considered which suggest that:

- The population of Wales is projected to increase by 2.7% from 2018 to 3.22 million by 2028, and by 3.7% to 3.26 million by 2043. The number of children aged under 16 is projected to decrease by 4.7% to 536,300 between 2018 and 2028.
- The number of people aged 16-64 is projected to increase by 0.2% to 1,927,700 between 2018 and 2028.
- The number of people aged 65 and over is projected to increase by 16.3% to 758,600 between 2018 and 2028.
- The number of people aged 75 and over is projected to increase by 29.3% to 378,100 between 2018 and 2028

*The ONS will be publishing updated national population projections for Wales (2020-based) on 12 January 2022. Population projections are trend-based projections that provide estimates of the size of the future population, and are based on assumptions about births, deaths and migration. The assumptions are generally based on past trends. These projections, therefore, do not make allowances for the effects of central or local government policies or changing economic circumstances on future population levels, distribution, and change.

According to the latest [Relative Income Poverty](#) statistics for the 3 year period up to March 2020.

- Between 2017-18 and 2019-20, 23% of all people in Wales were living in relative income poverty. The percentage of people living in relative income poverty has been relatively stable in Wales for over 15 years.
- In Wales, 31% of children were living in relative income poverty in 2017 to 2020. This figure has increased from 28% reported last year and is a 2 percentage point increase based on the unrounded data.
- Between 2017 and 2020, 22% of working-age adults in Wales were living in relative income poverty.
- The percentage of pensioners in relative income poverty fell by 1 percentage point for the second consecutive period following a gradual rise since around 2013. 18% of pensioners in Wales were living in relative income poverty between 2017 and 2020.
- People in social rented housing were more likely to be in relative income poverty (at 48%) than those in private rented (41%) or owner occupied housing (13%).
- 73% of children living in a workless household were in relative income poverty compared to 25% living in a working household in 2017 to 2020.

- Lone parent households were the family type most likely to be in relative income poverty (at 46%). 30% of people in single female households with no children lived in relative income poverty.
- In the past, most people living in relative income poverty were living in households with children. However, the pattern is now less clear with a similar proportion of those living in relative income poverty living in households with children and without children.
- For the period 2015-16 to 2019-20 (an average of 5 financial years) there was a 29% likelihood of people whose head of household comes from a non-white ethnic group living in relative income poverty. This compares to a 24% likelihood for those whose head of household comes from a white ethnic group
- In the latest period (2017-18 to 2019-20): 38% of children who lived in a family where there was someone with a disability were in relative income poverty compared with 26% of those in families where no-one was disabled. For working-age adults, 31% who lived in a family where there was someone with a disability, were in relative income poverty compared with 18% of those in families where no-one was disabled.

7. Impact on Deprivation and Poverty

At the Economic Summit in October 2021 I outlined our ambitions for moving our economy forward as we strive for a stronger, fairer and greener Wales. The Summit was joined by the Confederation of British Industry, the Wales Trades Union Congress, the Federation of Small Businesses and the Welsh Local Government Association and started a conversation about how we can work together for a team Wales recovery that is built by us all. Supporting stronger local economies will be essential to the job of tackling poverty. We are looking to attract more people to live and work in Wales, which can address the risks that come with the decline in the proportion of the population of working age. We will develop a coherent and compelling offer and explore further graduate retention opportunities and support for start-ups to encourage the growth of more firms that are grounded in Wales

8. ECONOMY BUDGETS

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

The three year resource investment of £204.271m is summarised in the following table:

TABLE 5 – RESOURCE INVESTMENT								
Business Area	2021-22 Final Budget £'000	Change £'000	2022-23 Draft Budget £'000	Change £'000	2023-24 Indicative Draft Budget £'000	Change £'000	2024-25 Indicative Draft Budget £'000	Total £'000
Business & Regional Economic Development (inc Strategy Policy Development & Life Sciences) **	9,298	3,000	12,298	(1,750)	10,548	-	10,548	33,394
Business Wales (inc Entrepreneurship & Social Enterprise) **	17,116	-	17,116	9,443	26,559	(4,096)	22,463	66,138
Tech Valleys	2,250	-	2,250	(225)	2,025	-	2,025	6,300
Valleys Task Force	100	-	100	-	100	-	100	300

TABLE 5 – RESOURCE INVESTMENT								
Business Area	2021-22 Final Budget £'000	Change £'000	2022-23 Draft Budget £'000	Change £'000	2023-24 Indicative Draft Budget £'000	Change £'000	2024-25 Indicative Draft Budget £'000	Total £'000
Export, Trade and Inward Investment	4,692	-	4,692	-	4,692	-	4,692	14,076
Centre for Digital Public Services	4,900	(4,900)	-	-	-	-	-	-
Strategic Infrastructure Development	990	(990)	-	-	-	-	-	-
Property Infrastructure	4,026	2,842	6,868	-	6,868	-	6,868	20,604
Healthy Working Wales	831	-	831	(268)	563	-	563	1,957
Corporate Programmes & Services	861	-	861	-	861	-	861	2,583
Strategic Business Events and Communications	200	-	200	-	200	-	200	600
Business Innovation	604	-	604	-	604	(304)	300	1,508
Science	1,350	-	1,350	-	1,350	-	1,350	4,050
Tourism	11,962	-	11,962	(1,200)	10,762	-	10,762	33,486
Events Wales	4,718	-	4,718	-	4,718	-	4,718	14,154
Programme Support	1,707	-	1,707	-	1,707	-	1,707	5,121
Total Resource	65,605	(48)	65,557	6,000	71,557	(4,400)	67,157	204,271

** 2021-22 Final Budget – Business & Regional Economic Development and Business Wales activity is restated to reflect consolidated budgets for comparison

Budget Changes

There is a small decrease in 2022-23, when compared to the 2021-22 Final budget, due to the alignment of the new portfolios: Climate Changes MEG – transfers in St Athan £2.842m and transfers out Strategic Infrastructure Development £0.990m and Digital Public Services £4.9m. This is offset by the additional allocation of £3m for Arfor.

In 2023-24 there is a further allocation of £1m for Arfor and £5m for Business Wales. This is offset by budgets reprioritised (regional and business development £2.050m; Life Sciences £0.7m; Tech Valleys £0.225m; Healthy Working Wales £0.268m and Tourism £1.2m) following assessment of the budget requirements of £4.443m which was reallocated to replenish loss of EU income in Business Wales.

In 2024-25 there is a further saving of £0.304m following the closure of Intermediary Body for European programmes and a reduction of £4.096m to manage the available budget for Business Wales.

The three year capital investment of £230.730m supported by the zero based review is summarised in the following table:

TABLE 6 - ECONOMY CAPITAL BUDGETS					
Business Area	2021-22 Final Budget £'000	2022-23 Draft Budget £'000	2023-24 Indicative Draft Budget £'000	2024-25 Indicative Draft Budget £'000	Total Budget £'000
Business & Regional Economic	40,801	27,230	23,850	18,650	69,730

TABLE 6 - ECONOMY CAPITAL BUDGETS					
Business Area	2021-22 Final Budget £'000	2022-23 Draft Budget £'000	2023-24 Indicative Draft Budget £'000	2024-25 Indicative Draft Budget £'000	Total Budget £'000
Development (inc. Life Sciences)					
Valleys Taskforce	9,000	-	-	-	-
Tech Valleys	7,750	5,000	5,000	5,000	15,000
Strategic Infrastructure Development	4,200	-	-	-	-
Property Infrastructure	8,386	10,000	10,000	10,000	30,000
City & Growth Deals	-	22,000	22,000	22,000	66,000
Business Innovation	4,066	5,000	5,000	10,000	20,000
Science	4,874	5,000	5,000	5,000	15,000
Tourism	7,670	5,000	5,000	5,000	15,000
Total	86,747	79,230	75,850	75,650	230,730

Business and Regional Development

The resource budget supports partnerships, engagement and initiatives to progress the ambitions in Economic Mission The [Mission](#), and employability for inclusive growth and building the economy for long term sustainability.

Capital funding of £69.730m is available for the Economy Futures Fund and other strategic developments in supporting businesses. Additional Financial Transactions capital may be allocated in the Final Budget. The Development Bank of Wales (DBW) also improves the ability of businesses in Wales to access finance and supports the creation and safeguarding of jobs with designated Funds which aim to unlock potential in the economy of Wales by increasing the provision of sustainable, effective finance in the market. An update is included at sections 10.1 and 10.2.

Business Wales

The total budget of £66.138m over three years supports youth entrepreneurship and the young person's guarantee, start-ups, micro-businesses, SMEs, disability champions, social enterprise and responsible business practices. The services support those with hidden barriers and targeted support will continue to be delivered to support such as female and youth entrepreneurs and BAME groups. The budget also includes provision of £3m for the foundational economy enabling jobs at the heart of local communities across sectors such as care and health services; food; housing; energy; tourism; construction and retail. Further detail is included in section 10.6.

Tech Valleys

The initiative is a £100m commitment over 10 years to create 1,500 sustainable jobs focused on Blaenau Gwent and hinterland by capitalising on opportunities arising from the fourth industrial revolution, encouraging the adoption of digital technologies and developing high value advanced technologies that support cutting edge industries. Most recently investments were announced which supports the Mission: [Robotics workshop](#) and the [Resilientworks](#).

Valleys Taskforce

The plan maintains an annual revenue budget of £0.1m. The capital programme to deliver Our Valleys Our Future was extended to 2021-22 and will be embedded in future programme development.

Export Trade and Inward Investment

The Export Action Plan was published on 15 December 2020: [Written statement](#). The budget of £14.076m over three years will invest in services to help exports and recognises the value of Wales as a trading nation. Further detail is included in section 10.15.

Property Infrastructure

The Mission reinforces the importance of ensuring adequate supply of employment sites and premises to secure competitive advantage in attracting, retaining and growing businesses in Wales. The revenue budget of £20.064m over three years ensures that Welsh Ministers meet their legal and statutory obligations as landlords and land owners in managing the Economic development property portfolio, including the management of St Athan and the unitary payments under the Lloyd George Avenue PFI scheme. The budget is supplemented by other income, primarily rental receipts and profits from disposing of land and buildings.

The capital budget of £30m over the next three years is supplemented by c£10m p.a. receipts from land and property sales. This enables delivery of modern sites and buildings that are capable of meeting companies' timescales for occupation to provide Wales with a real competitive advantage over other locations. All direct build commercial projects undertaken will aim to achieve a Net Zero carbon in use standard and the Welsh Government's Sustainable Buildings Policy will apply to projects delivered in partnership with others.

City Deals

The city and growth deals in Wales are long-term (15-20 years), three-way investment agreements between the Welsh Government, the UK Government and (jointly) the local authorities in each of the four regions to deliver lasting regional economic growth. Three deals are underway in Wales – in the Cardiff Capital Region, Swansea Bay City Region and North Wales. The Final Deal Agreement for Mid Wales is due to be signed in the New Year.

The Draft Budget includes provision for the Cardiff Capital Region only – for £22m in 2022-23. The Welsh Government is considering options for reprofiling its contribution to the funding for the Swansea Bay and North Wales deals following the UK Government's announcement that it would accelerate its contribution to these deals to provide the funding over ten years rather than 15. Budget plans for the Swansea Bay and North Wales deals, and in due course for the Mid Wales deal, will be clarified once the options have been considered.

Each government contributes funding to the Welsh deals on an annual basis. It is for the relevant local authorities, working together as a region, to decide how to use the funding over the lifetime of their deal – together with investment from their own budgets, from other public bodies and from the private sector – to deliver the outcomes set out in the deal agreements and the approved business cases.

Corporate Budgets

The **Healthy Working Wales** budget of £1.957m over three years delivers workplace initiatives supporting the healthy and active ambitions set out in the programme for Government. The funding includes the Mind Cymru Time to Change Wales programme, which challenges negative attitudes and behaviours in the workplace towards mental health problems. The budget from 2023-24 includes an anticipated saving based on current activity.

The **Corporate Programmes** annual budget of £2.583m over three years includes the business customer relationship management system expenditure and provision for reviews.

The Communications budget of £0.2m each year supports business events and strategic engagement.

Business Innovation

The Mission has a clear commitment to continue financial support for RD&I schemes, the SMART suite of programmes, SBRI Accelerator and Collaborative Innovation Support Programme (CRISP). To note that the European programmes complete in 2022-23 and currently £20m capital is planned for the next three final years. An update is included at section 10.17.

Science

The revenue budget of £4.050m over three years includes re-establishing a new National Science Academy grant programme designed to support STEM studies, activities and promote careers choices in science throughout Wales. This budget also contributes to Welsh Government's Office for Science promotion and engagement activities including stakeholder engagement seminars, public attitude Science surveys, British Science Week, Science in the Senedd, WJEC Innovation and CREST Awards, LSW Medals, commissioned science performance reviews and promotion of diversity & gender equality in R & I and STEM.

The capital budget of £15m continues the internationally recognised Sêr Cymru programme that helps maximise the beneficial impacts of research expertise, specialist innovation facilities and supply of talented researchers. This programme (highlighted in Nov 2021 by Welsh Government as one of the five 5 R,D& I priorities) has already helped build a depth of researchers and science infrastructure in Wales which did not exist previously and contributed to improving Wales science and research performance over the past decade.

Further information is available in sections 10.17.

Tourism

Tourism development and marketing investment of £33.486m is aligned to the recovery plan [Let's Shape the Future](#) to support the sector emerge from the pandemic. The recovery plan is designed to bridge back to our overall longer-term strategy - [Welcome to Wales-Priorities for the Visitor Economy 2020-2025](#) to grow tourism for the good of Wales, delivering economic, environmental, and social benefits. From 2023-24 there is a revenue saving of £1.2m based on assessment of the marketing plans and the reprioritisation to support Business Wales, which is impacted by the loss of EU income.

The planned annual capital investment of £5m in high quality visitor experiences and a Brilliant Basics fund for small scale tourism infrastructure improvements. This allocation is available alongside the £50m Wales Tourism Investment Fund, which is delivered in partnership with the Development Bank of Wales.

Further information is available in section 10.11.

Events Wales

The annual budget of £4.718m will continue to develop Wales-grown events (sports, arts and business) while continuing to recognise the exceptional opportunities offered by mega international events, such as World Cup 2030 and Tour de France, and to deliver real social, economic and cultural benefits and legacies in line with Welsh Government priorities.

We will continue to aim for a full geographic and seasonal spread of events around Wales, including supporting development of event-relevant infrastructure, and support the growth of a strong and sustainable sector in Wales by investing in skills and supply chain development.

Programme Support

The annual budget of £1.7m delivers the Wales European Funding Office Technical Assistance EU funded operations.

9. SKILLS BUDGETS

The three year resource investment of £664.531m is summarised in the following table:

TABLE 7 - SKILLS & EMPLOYABILITY RESOURCE BUDGETS								
Business Area	2021-22 Final Budget £'000	Change £'000	2022-23 Draft Budget £'000	Change £'000	2023-24 Indicative Draft Budget £'000	Change £'000	2024-25 Indicative Draft Budget £'000	Total £'000
Apprenticeships	113,533	3,500	117,033	5,000	122,033	5,000	127,033	366,099
Employability (including Young Person's Guarantee) - consolidates Marketing skills and Careers Wales	70,936	20,000	90,936	(5,000)	85,936	14,400	100,336	277,208
Employability (including Young Person's Guarantee)	1,400	-	1,400	-	1,400	-	1,400	4,200
Communities for Work	9,972	(6,000)	3,972	5,000	8,972	(5,000)	3,972	16,916
Communities for Work - Non cash	36	-	36	-	36	-	36	108
Total Resource	195,877	17,500	213,377	5,000	218,377	14,400	232,777	664,531

Budget Changes

There is an increase in 2022-23 when compared to the 2021-22 Final budget due to the streamline of BEL's within the skills activity: Merger of the Careers Wales BEL, Marketing BEL and Skills Policy BEL into the new Employability (including YPG) BEL – This is offset by the additional allocation of £20m for Young Persons Guarantee and £20m for Apprenticeships and a baseline adjustment of £16.5m out of the Apprenticeship BEL due to a one off allocation from the Welsh Covid reserve last financial year.

In 2023-24 there is a further allocation of £5m for Young Persons Guarantee and £5m for Apprenticeships. This is offset by £10m reprioritisation of budget to support the loss of EU income for Business Wales and Communities for Work.

In 2024-25 there is a further allocation of £5m for Young Person Guarantee and £5m for Apprenticeships.

Apprenticeships

The revenue budget of £366.099m over three years supports the delivery of the apprenticeship programme to employers and their employees, with a particular priority for new recruits, throughout Wales. Further detail is provided in section 10.19.

Employability (including Young Person's Guarantee)

The Employability (including YPG) revenue budget of £277m over three years funds the development and delivery of strategies, policies and programmes which assist people to access, return to, remain in, and progress at work through skills and training support; underpinning a number of key PfG commitments. It also facilitates a direct response to assist the growth of individual businesses through workforce development and provides sector-based, employer-led and wider solutions to respond to identified skills needs in Welsh Government priority areas which are important for the economy of Wales.

Skills and employability support can further these aims by focussing investment and interventions on those who are under-represented in the labour market and who face disadvantage and inequity in accessing skills, qualifications and employment. This will help eradicate the gap between the employment rate in Wales and the UK by 2050, with a focus on Fair work and raising labour market participation of under-represented groups.

The BEL also funds Careers Wales which delivers a national, all age, impartial and bilingual careers information, advice and guidance (CIAG) service in Wales. In addition to the revenue budget, there is a non cash depreciation budget of £1.4m.

Communities for Work Programme

The revenue budget of £16m over three years supports the Parents, Childcare and Employment (PaCE) and Communities for Work programme. PACE is a £21.5m project jointly funded by the European Social Fund and Welsh Government, working in partnership with Department for Work and Pensions (DWP).

PaCE targets economically inactive parents aged 25 and over, and parents aged 16-24 who are Not in Education, Employment or Training (NEET). This is also the cohort covered by the Youth Guarantee. All parents enrolled onto PaCE have childcare as their main barrier preventing them accessing education, employment or training opportunities. Almost 95% of parents that join the PaCE programme are women. To the end of November 2021, PaCE has supported 6,643 people (including 398 disabled people and 202 people from Black, Asian and Minority Ethnic Communities) and helped 2,939 people into work, of which 124 were disabled people and 81 people from Black, Asian and Minority Ethnic Communities).

Communities for Work is a £102m programme jointly funded by the European Social Fund and Welsh Government working in partnership with the Department for Work and Pensions, Local Authorities and Voluntary Organisations. It supports economically inactive and long-term unemployed people, focusing on two separate groups - those aged 25 and over; and those 16-24 year olds who are Not in Education, Employment or Training (NEET). This is funded from Communities for Work BEL and there is a £3.972m budget for 2022-23.

CfW provides a community based person-centred approach, offering holistic support to tackle a range of complex barriers that participants face. Up to the end of October 2021, the programme has supported 33,373 people (including 3,735 disabled people and 2,144 people from Black, Asian and Minority Ethnic Communities), and helped 13,872 people into work, (1,053 disabled people and 1,010 people from Black, Asian and Minority Ethnic Communities).

This BEL has a baseline reduction of £6m compared to final budget due to funding received last financial year from the Covid reserve. The budget has seen an increase of £5m in 2023-24 to support against the loss of EU income, but the baseline is restored to

funding levels in 2022-23 for the last financial year, but will be a priority for any additional funding that becomes available, but will be a priority for any additional funding that becomes available.

TABLE 8 - SKILL & EMPLOYABILITY CAPITAL BUDGETS					
Business Area	2021-22 Final Budget £'000	2022-23 Draft Budget £'000	2023-24 Indicative Draft Budget £'000	2024-25 Indicative Draft Budget £'000	Total Budget £'000
Employability (inc. YPG)	-	1,920	2,000	2,000	5,920
Total	-	1,920	2,000	2,000	5,920

The investment in capital of £5.9m over three years supports the Careers Wales activity. Careers Wales is a wholly owned subsidiary company of the Welsh Government. The capital budget will support the organisations estates strategy to align to [Future Wales: The National Plan 2040](#). Strategic environmental development and sustainability will be built into the new spatial strategy with a focus on the national and regional growth areas through adopting the ‘Town centre first’ approach.

10. ECONOMY – KEY POLICY UPDATES

Additional information has been provided in response to the specific areas highlighted by the Committee as follows:

10.1 Business Support – Recovery from the pandemic

Since April 2020, the Welsh Government has provided more than £2.6bn to support Welsh businesses, mostly via the Economic Resilience Fund, in a package that has been designed to complement and build on the support provided by the UK Government. The budget plan does not include any additional recovery funding.

In the 2021-22 the Welsh Government made available a £35m package to help SMEs in Wales relaunch, develop, decarbonise and grow to help drive Wales’ economic recovery. The funding will support more than 1,000 business, help to create 2,000 new jobs and safeguard a further 4,000 jobs with grants of up to £50k available. This funding will continue to support businesses into 2022-23.

The funding provides an opportunity to kick-start and grow the economy as we focus on creating a fairer, greener and prosperous future for Wales and will be specifically targeted at businesses with project proposals to:

- Focus on decarbonisation and the climate emergency that will help Wales meet its legally binding net zero carbon emission target by 2050
- Progress the ambitions in the Mission (including fair work, skills, industry / services of the future, apprenticeships and collaboration with universities and business to maintain graduate talent in Wales)
- Help businesses to work co-operatively to support local supply chains, including local delivery and logistics services
- In addition the fund seeks to provide support to the Covid response in terms of well-ventilated work spaces and the ability to work smartly

Business Wales also support businesses through and recover from the pandemic by the delivery of information, guidance and direct support to entrepreneurs and businesses in Wales to help them start, grow and prosper and respond to key challenges such as the pandemic. In addition, the Welsh Government Business Innovation Team are positioned to support businesses and entrepreneurs on a one-to-one and a one-to-many basis for all aspects of developing new products, processes & services.

The Development Bank of Wales is well placed to help Welsh businesses through, and to recover from, the pandemic and access finance they need to start up, strengthen and grow. It can provide loans from £1k right up to £10m, as well as mezzanine, and equity funding; and helps businesses find the right finance partner to leverage in private finance with its own gap finance when necessary.

Economy Futures Fund

Launched in May 2018 the Economy Futures Fund is the simplification and rationalisation of a number of existing financial support schemes. As a pre-requisite for funding, applicants must have demonstrated contribution to the principles of the Economic Contract.

Business seeking funding from the Economy Futures Fund will be expected to contribute to at least one of the five Calls to Action, this is based on the principle of “something for something” and supports those businesses that wish to adapt to grow.

The schemes that currently make up the Fund are:

- Capital Investment and aid for Job Creation
- Research Development and Innovation (Including SMART Cymru)
- Environmental Protection scheme
- Tourism Investment Support Scheme/Wales Tourism Investment Fund
- Creative Production Funding
- Repayable Fund for SMEs

Since its launch in May 2018, 452 offers with a value of over £107m have been accepted.

10.2 Regional Economic Development

The Economic Action Plan (EAP) outlines the basis for a regional approach to economic development across Wales, recognising the distinctive opportunities of particular regions and seeking to build upon them to deliver enhanced prosperity for all, whilst addressing the barriers that prevent this.

Since the appointment of the Chief Regional Officers and their teams we have sought to foster closer and more effective collaboration with our regional partners and stakeholders. This is bearing real dividend and through collaborative effort with our key partners across the regions we are delivering tangible differences to businesses and communities across all regions of Wales. As the voice of government in the region and the voice of the region in Government, the Chief Regional Officers and their teams are influencing and informing national policy and programmes, as well as delivering targeted support in the various regions through the regional capital stimulus funds and support for key business across the regions.

The development of REFs is an essential part of our commitment to a more regionally focussed model of economic development - developing the distinctive strengths of our regions, supporting inclusive and sustainable economic growth and maximising

opportunities to address regional and local inequalities, contributing to the well-being goals for Wales. REFs are intended as a vehicle to help promote collaborative regional planning and delivery amongst public, private and third sector partners, working to a shared vision and a set of common economic development objectives. In taking forward the development of the REFs we have been acutely aware of the immediate reset and recovery required in the wake of the Coronavirus pandemic, but also the need to set out the longer term aspirations for the regions, aligned to the Mission. The REFs will be published shortly.

Since the publication of the OECD's report, *The Future of Regional Development and Public Investment in Wales*, in September 2020, Welsh Government officials have been working with the OECD to develop a project to support the implementation of some recommendations from the report.

The new two-year project began in September 2021 and its scope includes:

- vision-setting, planning, cross-sector coordination and integration for regional development policy and public investment
- practices and mechanisms for realising regional development policy and public investment objectives

In 2020-21 £0.1m will be paid to the OECD and a final payment will be due in 2023-24. Overall the economic development initiatives are budgeted within the Business and Regional Economic Development revenue budget.

10.3 Regional Development – Impact of UK Government Schemes

In terms of the Levelling Up Fund and Shared Prosperity there is concern that the funding allocated to industrial decarbonisation schemes, such as the Industrial Energy Transformation Fund (IETF), Cluster Sequencing and the Hydrogen Fund, is not adequate in scope or scale to enable decarbonisation projects across England, Wales and Northern Ireland in the short to medium term. Whilst Welsh based businesses have successfully applied for support via IETF there has been limited opportunity for success within other funding streams. Welsh Government is in active discussion regarding appropriate business models to enable the decarbonisation of Welsh industry.

The South Wales Industrial Cluster members are investing over £24m which has in turn leveraged over £26m of UK Government funding to Wales since 2019, including £21 million of Industrial Decarbonisation Challenge funding to deliver a Phase 2 Route Map plus a variety of deployment projects across South Wales. Additionally, over £2m of Industrial Decarbonisation Research & Innovation funding has been allocated to Welsh universities dedicated to activity within industrial clusters.

The HyNet project, which covers both north-west England and north east Wales has been shortlisted to receive Track 1 funding via the Cluster Sequencing programme. It remains to be seen at this stage whether any Welsh based activity will be funded via this process.

10.4 Foundational Economy Plans

The additional funding allocated to the Foundational Economy in 2021-22 supported specific project activity which built on the Foundational Economy Delivery Plan, published in March 2021. In addition, the funding supported the initial launch of the Backing Local Firms Fund

(BLFF), focused on food, social care and future skills associated with the Optimised Retrofit Programme.

There is a further allocation of £3m in the 2022-23 draft budget. A strategic review of current activity has been undertaken and key stakeholders engaged to identify long term priorities. The allocation will support scaling up the BLFF to enable Welsh businesses to access support which will help them grow. Within the BLFF, we will provide grant based assistance to assist businesses to develop capability to engage in delivering the Optimised Retrofit Programme to help optimise the value of this investment for communities and economies across Wales. The BLFF will continue to enable indigenous food producers and suppliers to attain the necessary food safety accreditations required for involvement in public sector food supply chains and we will identify how the funding can support producers with growth potential for accelerating into the larger retail and hospitality markets. The care sector is a significant part of the Foundational Economy and funding will help businesses in the sector to respond to the ongoing recruitment crisis and help introduce new care provider capacity.

The way the public sector undertakes procurement has a profound impact on the Foundational Economy. Experience from work to date illustrates that there is huge ambition across the public sector to better engage with businesses but lack of capacity hinders progress. Funding will enable additional capacity to help public bodies to collaborate and utilise procurement to deliver place-based priorities linked to local wellbeing plans.

As part of our cross-government working, Foundational Economy is supporting the business decarbonisation programme and potential funding requirements for this work is in the process of being established. In order to support spreading and scaling of best practice and to provide places where people and organisations can collaborate, we will support Communities of Practice for the Foundational Economy and consider how these will best operate taking account of national, regional and thematic considerations.

10.5 The Development Bank of Wales (DBW)

The 2022-23 budget does not currently include any further capital provision for the DBW as allocations in previous years have positioned the development bank to continue making investments in 2022-23 and beyond in line with the Remit Letter issued to the DBW by the Minister for Economy in November 2021.

It should be noted that the reclassification of DBW by the Office of National Statistics, for the purpose of national accounts, is resulting in some changes to how expenditure and, therefore the budgets for DBW are presented and reported. The reclassification outcome determined by the Office of National Statistics was confirmed on 31st August 2021 and applies retrospectively to 2017 when the DBW was established.

For those parts of the DBW group reclassified to the central government sector, work is now underway to restate budgets in line with standard HM Treasury procedure. This is expected to have a neutral effect on WG budgets with no impact on the investment plans already in place for DBW. This exercise is due to complete by end of 2021-22 and, to the extent it will impact on 2022-23 budgets, will be reflected in the first supplementary budget of 2022-23.

In addition to the equity mechanism that the Wales Management Succession Fund provides for management buy-outs, DBW also has other funds (the Wales Flexible Investment Fund and Wales Business Fund) which can provide loans to employees more widely in order to facilitate worker buy outs (employee owned businesses).

These debt based funds enable DBW to more directly contribute to the PfG objective of providing greater support for worker buy-outs.

More information is available at the DBW website:

[Performance and impact | Development Bank of Wales](#)

10.6 Business Wales

The draft budget plans include £66.138m over three years for Business Wales activity. In 2021-22 the budget levers in £15.7m ERDF funding with a further £11.4m in 2022-23. In 2023-24 budget of £9.443m has been reprioritised to replenish the EU funding with a managed reduction in 2024-25. This will enable the service to engage with over 60k businesses, deal with over 30,000 direct enquires, provide information to over 12,000 entrepreneurs and businesses, direct support to 3,000 businesses and entrepreneurs to create start-ups and jobs. The funding will also enable the Business Wales digital platform to handle 10 million calls entrepreneurs and businesses across Wales.

Business Wales provides businesses and entrepreneurs with a single point of contact for business information, advice and support from the public, private and voluntary sectors, and can be accessed digitally via <http://businesswales.gov.wales> and social media channels; the helpline; and offers a combination of online, telephone, 1-2-many and 1-2-1 business support which is tailored according to client need and the different regions of Wales, dependant on local requirements.

The Business Wales service is positioned to:

- Raise entrepreneurial aspiration and activity in Wales leading to an increase in self-employment and the business birth rate.
- Improve the competitiveness, survivability and productivity of micro businesses and SMEs in Wales resulting in sustainable growth and good quality jobs.
- Ensure that support is easily visible, simple to use and well connected with the private sector and other policy instruments.

It is a fully bi-lingual, flexible service that can be adjusted to accommodate regional considerations as well as the specific needs of individuals and businesses.

Complementing the helpline and digital offer, the main Business Wales advisory service provides direct business support to pre-start, start and growth businesses through one-to-one relationship management and workshop activities. The service currently operates virtually but also works with a range of partners to deliver services to SMEs in locations across Wales.

Examples of Business Wales cross cutting delivery

- Direct engagement activity through entrepreneur role models - Big Ideas Wales who deliver talks to inspire young people 25. This is complemented by financial support to colleges and universities to develop their entrepreneurial capacity.
- A universally available digital support platform, including Business Online Support service, the Sell2Wales procurement and Brexit portals. The platform also hosts

organisations such as the Development Bank of Wales, Careers Wales, the Ambition Board to deliver a one stop shop approach.

- An Accelerated Growth offer which is targeted specifically at businesses that demonstrate the potential for rapid growth in terms of exports and high quality jobs.
- Social Business Wales which supports growth orientated social enterprises.
- The five regional Enterprise Hubs provide enhanced regional visibility and facilitate a more connected approach to providing entrepreneurship and business support.
- The Disabled People’s Employment Advisory service is delivered alongside the Welsh Government’s Disabled People’s Employment Champions and has specialist advisors to encourage employment and retention of disabled workers to ensure a more equal, representative workforce in Wales.

The Business Wales service deliver on the following impacts:

TABLE 9 – BUSINESS WALES IMPACTS	
Measures	Outcomes
Net GVA up-lift	£17 per £1 spent on Accelerated Growth Programme £10 per £1 spent on BW core delivery
Start-up survivability	85% over 4 years for those who have accessed BW support 41% for non-supported start-ups
Social impact	20% of jobs created are filled by previously unemployed individuals

10.7 Employee Owned Businesses

The Employee Ownership Association estimates that the employee owned sector accounts for around 3% of UK GDP and the number of employee owned businesses grows by 10% year-on-year. There are currently 2-3 employee buy-out deals completed in Wales each year but the potential exists for many more. Business Wales and Social Business Wales offer specialist advice to support employee buy outs.

In addition to the support available through Business Wales, the Welsh Government provides funding to the Social Business Wales service to promote and offer direct support and develop Employee Ownership in Wales, which will be further promoted via social media channels. In 2022-23 funding of £0.9m is earmarked in the Business Wales budget.

The Wales Flexible Investment Fund operated by DBW offers a potential debt-based funding route for employee buyouts. Management buy-outs can be supported through the Wales Management Succession Fund £25m provides ambitious managers and management teams with the funding they need to buy established Welsh SMEs when their current owners retire or sell up.

10.8 The Community Bank/support for Banc Cambria

The PfG commitment to support for the creation of a Community Bank for Wales, seeks to address the market failure in relation to the gap in provision, effectiveness and access to quality banking services in Wales.

Our vision for the Community Bank for Wales, is one that is based on the mutual model, owned by, and run for, the benefit of its members, rather than the maximisation of profit for shareholders. It will be a modern full service community bank, headquartered in Wales. It will provide access to bilingual products and services, through a range of channels including digital, online and in-branch. The Bank will facilitate local investment and enhance community wealth building, recirculating savings into loans and preventing capital drain. It will provide a positive impact on communities and high streets, improving access to everyday banking services for all citizens regardless of income or wealth, as well as, small businesses across the whole of Wales.

Start-up co-operative and mutual banks face challenges particularly in respect of securing development and regulatory capital which make entry and organic growth difficult. In addition, banking sector legislative and regulatory competencies are reserved matters. We are therefore reliant on the alignment and ambition of private sector firms who share our vision and ethos in order to establish and operate a Community Bank for Wales. The Minister for the Economy made an Oral Statement on 14 December 2021 providing an update on the progress of Banc Cambria, welcoming the announcement by the Monmouthshire Building Society stating its intent to develop its approach to delivering a community bank in Wales.

The Minister for Economy is responsible for the Community Bank during its development phase, supported by revenue funding of £0.150m in 2022-23 for ongoing policy development and research via procurement of external expertise / reports in areas such as economic impact assessment, financial due diligence and legal advice. The Minister for Social Justice is leading on the capital investment to establish the Community Bank.

10.9 Support for key manufacturing sectors such as aerospace, automotive and steel

Automotive

The ongoing uncertainty throughout the Brexit negotiation process, leaving the Single Market, wider disruption from COVID-19 and more latterly, the global semi-conductor shortage have all created significant short-term pressures for the industry. The automotive industry in Wales comprises of around 150 companies employing around 11,000 people in highly productive, highly skilled and highly paid jobs. With 2 niche vehicle manufacturers, 35 tier one systems and component manufacturers, the majority of these supply chain companies are SMEs. The Welsh Automotive Forum has indicated that together with the closure of Honda's Swindon plant, have significantly contributed to the loss of some 4,400 jobs in the sector in Wales since 2019.

The latest available figures from the SMMT for UK production in 2021 show that 721,505 cars were manufactured up to October 2021, 2.9% down on the same period in 2020. Despite confidence earlier in the year, as a result of the semi-conductor shortage, analysts now expect car production in the UK in 2021, to be lower than last year.

In addition, the industry is at the forefront of a significant technological change through the move away from the internal combustion engine. Transition to low carbon automotive sector could however bring with it significant potential benefits not only to the environment but also to the economy. Up to November 2021, battery electric, plug in and mild hybrid vehicles accounted for over a quarter of new car registrations in the UK. Welsh Government will continue to support WAF in its work to migrate the sector to new electrified supply chain opportunities and to promote the sector during this transition.

Welsh Government also continues to engage strongly with the UK Government to ensure Wales has access to its relevant funds, including those handled by the Advanced Propulsion Centre and the driving the electric revolution fund to ensure opportunities are not missed. To date, Wales has received over 18% of the driving electric revolution UK wide funding. One such beneficiary has been Meritor, Cwmbran, awarded £31.9m by the Advanced Propulsion Centre for a collaborative project to design and develop a game changing electric powertrain system for heavy-duty electric trucks and buses.

In this context Welsh Government will continue to provide a platform to the Welsh automotive industry. The recent response to companies' physical presence at the low carbon vehicle show this year's indicates strong demand for Welsh expertise.

Aerospace

The UK Aerospace & Defence (A&D) industry employs some 250,000 people with an annual turnover of £60bn. Wales, with 5% of the overall UK population employed more than 20,000 people in the sector prior to COVID, with a turnover in the order of £6bn, according to the Aerospace Wales Forum (AWF).

The outbreak of COVID has had a huge detrimental impact on the Aviation / Aerospace sector, and together with tourism and hospitality, has been the hardest hit of all sectors. Much of the world's aviation system ground to a halt in 2020 as countries closed their borders and imposed lockdowns. The 5 largest civil Aerospace sector employers in Wales reduced their workforce by over 3,000 staff due to COVID, although they are now beginning to reemploy and take on apprentices.

This is during a period of transition, as the sector addresses climate change and looks at ways of meeting the net zero target for 2050, through technology, alternative forms of propulsion, operations and infrastructure.

The Aviation and Aerospace sector growth projections are significant (4.5% p.a.) and we must ensure that Wales remains a key part of the UK's capability and rebounds from this current crisis to provide many well paid, highly skilled jobs in an attractive, climate conscious and growth sector. There are some encouraging signs including additional orders for Airbus A321 aircraft at the Dubai air show, additional recruitment by Airbus in Broughton and additional contracts from the MoD to Raytheon. Welsh Government will continue to support AWF in its work to promote the sector. We will also continue to promote the Welsh aerospace sector to potential funding bodies in UK Government and lobby hard for continued support for the sector, in particular for R&DI activity to assist in the transition. The recent investment by the UK's Department for Transport in LanzaTech to develop a sustainable aerospace fuel in Port Talbot is one such example of this. We have also supported AWF develop a maintenance repair and overhaul cluster to work collaboratively to win further overseas contracts.

Space is a small but growing sector in the UK and in Wales. We have a number of world-class players including Airbus, Raytheon and Space Forge, who we will continue to support and promote. Key industrial figures in Wales chair the Welsh Space Leadership Council which is in place to help coordinate activity and benefit from the UK wide space strategy whilst developing our own space strategy focusing on particular strengths.

[Ventilator Production at Airbus / AMRC Cymru, Broughton](#)

Many companies in Wales provided an overwhelming response to the pandemic, COVID outbreak, making significant contributions to supporting the production of vital equipment for the NHS, demonstrating their ingenuity, adaptability and capability to react at pace. The highest profile example was at Airbus, Broughton. Over 550 employees were transferred to the Welsh Government-owned AMRC Cymru, manufacturing key components for the Penlon ES02-type ventilator. Almost 12,000 units were delivered to the NHS by late June 2020. The supply chain for the Penlon ES02 included the Renishaw operation near Cardiff, demonstrating that much of the UK Ventilator Challenge was 'Made in Wales'.

Steel

As a result of the pandemic as well as the ongoing semi-conductor shortage, the steel sector has experienced a drop in activity in relation to automotive sector orders. The UK construction market has remained strong in the UK. We continue to embed the UK Steel Charter principles to maximise benefits. The Welsh Government was the first signatory to the UK Steel Charter, which complements our earlier Procurement Advice Note by encouraging projects in Wales to source and benefit from high quality British steel wherever possible. In addition to compliance with Public Contract Regulations, we have implemented an additional mandatory legal position in our tender pre-qualification questionnaire that 'No Dumped Steel' is used on any contract awarded by public sector bodies in Wales.

Decarbonisation is a key challenge. Welsh Government will be publishing a procurement policy note in respect of practical strategies to drive decarbonisation actions across the wider public sector which will sit alongside the Welsh Procurement Policy Note (WPPN) which mandates the use of carbon reduction plans at the selection stage of the procurement of public contracts valued at £5m or more for Welsh Government.

We are also working with the UK Government through the Industrial Energy Transformation Fund, the South Wales Industrial Cluster (SWIC) and the North Wales Economic Ambition Board to consider regional industrial decarbonisation approaches. We will continue to work collectively with the industry, the workforce and the UK Government to support the transition to low-carbon steelmaking to help ensure a competitive and sustainable future for the steel sector in Wales and the UK.

10.10 Support for automation and AI

The [Digital Strategy Wales](#) published in March 2021 includes the 6 pillars reflecting the 2019 Brown Review:

- **Developing Industrial Clusters** - Develop our Welsh Industrial clusters to be equipped for a 21st Century digital society. Adopting, exploiting and creating digitally driven innovation for the benefit of the broader economy.
- **Developing a Digital Ecosystem** - Establish a thriving ecosystem of commercial and academic expertise that drives digital innovation in emerging technologies.
- **Digital Adoption for Businesses** - Increase digital adoption and resilience of businesses, including the principles of green, sustainable and prosperous economy and accelerated adaption to the future of work and skills in Wales.
- **Cyber Security** - Increase digital adoption and resilience of businesses, including the principles of green, sustainable and prosperous economy and accelerated adaption to the future of work and skills in Wales.

- **e-Procurement** - Improve procurement practices and processes delivering better outcomes for all.
- **Shared Workspaces** - Seek out and explore collaborative opportunities for shared working spaces across public and private sector, to encourage collaboration and reduce travel.

The Economic Action Plan also highlights Digitalisation as one of the Calls to Action, demonstrating progress in the digitalisation of their products and processes enable businesses to access the Welsh Government financial support.

Welsh Government is committed to creating the environment to allow tech and tech enabled businesses to thrive, providing the goods and services to support the digitalisation of businesses across the economy and in the supply chain to the digitalisation of public services in Wales.

Creative Industries (including Digital Creative) Cyber Security, Fintech and Compound Semiconductor are amongst the priority sectors in Welsh Government's International Strategy. The strengths of these areas in Wales forming the basis for efforts to pursue new Foreign Direct and Inward Investment into Wales. Tech has also been identified as a priority cluster for Export and Trade support, with focussed efforts to support Welsh Tech businesses explore and deliver to new international markets.

The Manufacturing Action Plan (MAP), launched in March 2021, contains a Digital work stream that seeks to support the adoption of digital technologies and practices amongst manufacturing companies in Wales.

Welsh Government has created, partnered, fully or partially funded the following:

- **The National Digital Exploitation Centre:** a cyber-security centre of excellence, focusing on digital transformation in Operational Technology. NDEC provides bespoke solutions to combat the threat of cyber-attacks on critical systems. The centre also includes the Digital Education Centre which focuses on schools, citizens and SMEs, delivering training and education to help promote digital awareness, skills and understanding.
- **The Advanced Manufacturing Research Centre:** AMRC Cymru is part of the University of Sheffield Advanced Manufacturing Research Centre and a member of the High Value Manufacturing (HVM) Catapult. It helps the manufacturing community access advanced technologies to drive improvement in productivity, performance and quality.
- **Airbus Endeavr Wales:** a joint initiative between Airbus and the Welsh Government to support innovation in Wales. The programme supports research and development of technologies in the fields of the Digital Economy, the Low Carbon Economy and Advanced Engineering & Manufacturing.

Work is ongoing to develop the following:

- **Proposed Cyber Innovation Hub:** A hub for industry, government and academic partners to grow the Welsh cybersecurity sector and plug the gaps in the current ecosystem around skills, innovation and enterprise creation.

- **Proposed Wales Data Nation Accelerator:** a pan-Wales initiative that is being developed to accelerate new insight, foresight and intelligence from diverse data assets for societal, health and economic impact.
- **Data Science Graduate Programme:** the programme is managed by the Welsh Contact Centre Forum and seeks to develop talent creation initiatives in financial services and data science these skills they are designed and delivered in collaboration with a strong consortium Welsh based employers.

10.11 The allocations to deliver the Let's Shape the Future and the forthcoming Action Plan

Visit Wales is responsible for delivering activity that supports the sustainable development of the visitor economy across Wales with business marketing, activity to build Wales' reputation and performance as a place to visit, invest, work and study. It specifically addresses activity that assists in implementing: *Push forward towards a million Welsh speakers, and enable our tourism, sports and arts industries to thrive by*. putting the work, places the promotion of Welsh language and culture at its heart and our activity acts as an important flag-carrier for the Cymru Wales brand and continues to play a key role in the recovery of the visitor economy by helping to address seasonality (encouraging visitors during off peak season), spend (encouraging people to spend more and stay longer), and spread (encouraging people to discover more of Wales).

Visit Wales is recognised by public, private and third sector stakeholders in a leadership capacity, helping to set direction and engender commercial confidence. We want our sector to grow purposefully throughout the year, helping to stimulate prosperity in urban and rural areas. This is a sector severely impacted by the Coronavirus pandemic. Businesses have faced unprecedented and extreme challenges from the outset and despite extensive Welsh Government and UK financial interventions the downturn of the sector stands to have a serious impact – symbolic, social, cultural and economic - on many towns and villages that are also facing other post Covid-19 related challenges that will continue into 2022/23. However, this is also a sector with positive prospects in the medium to longer-term due to the nature and quality of the Welsh product offer and strength in the domestic UK market and any funding is not solely a means of supporting a challenged industry; but can also an investment in the long term prosperity of many parts of Wales.

The activity proposals have been developed to complete delivery of the Recovery Plan and take us back to our Strategic Plan [Welcome to Wales: Priorities for the Visitor Economy 2020-2025](#). The proposed activity also takes account of our commitment to leveraging the successful Cymru Wales brand to promote Wales in the world, as highlighted in the [International Strategy for Wales](#) and the more single-minded wellbeing proposition that has now been developed and which brings the brand closer to the Wellbeing of Future Generations (Wales) Act 2015. Our Cymru Wales brand and campaigns also position our language as central to our culture, and to project Wales as an outward facing, bilingual nation. In building an economy based on the principles of fair work, sustainability and the industries and services of the future the strategy will deliver skills/recruitment campaigns, business marketing and business support conditions. Tourism is vital in *making our cities, towns and villages even better places in which to live and work* by funding schemes and place making activity that put community benefits alongside visitor benefits to “grow tourism for the good of Wales”.

Visit Wales will continue to support innovators in the industry who come forward with high quality, reputation-changing products. Our primary product gap is high-quality

accommodation in many parts of Wales, so in line with our move to value over volume, we will work with current businesses to increase their occupancy levels and yield. Our £50 million Wales Tourism Investment Fund, delivered in partnership with the DBW, will continue to help finance capital investment in tourism projects that grow the sector and have a positive impact on the Welsh economy.

We will also take a more strategic and internationalist approach where we aim to provide additional funds and investment to support our sector, positioning Wales as a quality location to grow a brand or business through the appropriate channels. Not all iconic projects will be large in scale, and our support is not limited to serviced accommodation and attractions; we are looking for quality across all price-points and sectors. This includes the caravan and camping sector – an area of wide popular appeal that is rapidly diversifying in response to market changes, and is core to the market position of Wales, especially in the UK.

We need to continue to invest in the basic tourism infrastructure around Wales, as well as in high quality visitor experiences. Brilliant Basics is a Wales wide fund that will deliver basic small-scale tourism infrastructure improvements, and ensure that all visitors to Wales have a positive and memorable experience throughout their stay. It will focus on the infrastructure needed to ensure that everyone feels welcome – from fully accessible ‘Changing Places’ to wider access improvements. We will also consider further ideas, working with local partners to build on the distinctive identity and character of market towns and coastal villages and place emphasis on projects that contribute towards meeting the decarbonisation agenda creating sustainable destinations.

10.12 The forthcoming Retail Strategy

The retail sector is the largest employer in Wales, with **114,000 employees** and with retail trade accounting for **5.9% of Welsh GVA (Note the retail sector refers to SIC 47: Retail trade, except of motor vehicles and motorcycles)**. Alongside its value in economic terms, the retail sector is the lynchpin of many of our local communities and provides the essential and non-essential goods and services upon which our collective well-being depends.

However, the dual impacts of EU Exit and Covid have changed matters considerably. Previously, the sector was experiencing challenges with developments in technology and changes in consumer spending patterns but many of these changes have been accelerated by the pandemic and we have seen a catastrophic impact on both small and large retailers. Whilst the retail sector provides rewarding work to many, we also recognise this is not universal and that challenges remain around the quality of work. There is a shared desire from responsible employers, trade unions and others to address this and make fair, safe, secure and rewarding work more prevalent across the retail sector.

We benefit from a high level of engagement with the sector and greatly value contributions from our stakeholders, including businesses and their representatives and unions: The retail forum, launched jointly by the Minister of the Economy and the Deputy Minister for Social Partnership, is a social partnership made up of sector representatives, unions and officials that works collaboratively to inform development of a retail strategy that will produce immediate, medium and long-term recommendations to provide stability and security to the sector. The strategy, which is due for Ministerial launch in March 2022, will support the retail sector to achieve a vibrant future that will offer an attractive

opportunity for employment and career progression and continue to be a cornerstone of the Welsh economy, from the local high street through to our city centre settings.

10.13 Transition to Net Zero

Net Zero Wales is the next phase of our journey and the first with net zero as our target, working towards a greener, stronger, fairer Wales. Our approach will sustain existing jobs, create employment opportunities and help ensure our industries remain internationally competitive. However, the challenges faced in coming decades cannot be under-estimated, and we must all work together to realise the opportunities available.

Our vision is a well-being economy which drives prosperity, is environmentally sound, and helps everyone realise their potential. Delivering a just transition to a low carbon future is critical for Wales. I am working closely with the Minister for Climate Change on how we can refresh Business Wales to reflect our priorities for Net Zero, how we can prioritise support for businesses who contribute the most for Wales with our Economic Contract, and how Development Bank Wales (DBW) can ensure that businesses seeking to decarbonise receive the support that they need.

Business Wales supports new entrepreneurs, micro-businesses and SMEs to embed sustainable development practices in the fabric of their venture. This helps Welsh businesses exploit new opportunities and take proactive steps to realise the business benefits of resource and energy efficiency, as well as joining a growing community of forward-thinking organisations working towards a zero carbon future. We are taking further steps to strengthen the approach of Business Wales in tackling the climate emergency, for example by providing enhanced information, guidance and support not only to help businesses reduce their carbon emissions but also to adapt to the impacts of climate change. We are refreshing the Business Wales website to reflect the priorities for Net Zero Wales, signposting SMEs to business support programmes, key websites, online tools, regulatory guidance and case studies to share the experiences of businesses in Wales.

Welsh businesses are currently supported to develop, implement and commercialise new products, processes and services through the Smart Cymru Programme. The Development Bank Wales already works with many businesses to support their ambitions to decarbonise, reduce energy consumption and develop new products with a green focus. This breadth of activity and current experience puts DBW in a key role to support the decarbonisation agenda.

At the end of November I launched a new [£35m Package](#) to help small and medium sized businesses (SMEs) in Wales relaunch, develop, decarbonise and grow to help drive Wales' economic recovery. Our Economic Contract prioritises support to businesses contributing the most to Wales. We are committed to talking to all businesses we support about how they address the climate emergency.

Regional Skills Partnerships continue to be a pivotal component of the Welsh skills landscape, providing labour market intelligence to Welsh Government, whilst acting as strategic partners on all matters relating to employability and skills, directly supporting our regional approach and the City Deal and Growth Deals across Wales. This will mean accelerating the adoption of the new skills required for the quality, secure jobs that a low carbon economy relies on.

Jobs need to be made more directly relevant to the needs of a low carbon economy. The skills system must play its part managing the transition so it can quickly enable more individuals and businesses to prosper in a shifting economy. The Net Zero Wales Plan makes commits Welsh Government to the development of a Net Zero Skills Action plan in order to aid transition to Net Zero and one that is equal and fair.

Officials will be working closely with stakeholders from across Wales in the development of the Action Plan. Universities and colleges, along with skills providers, local authorities, and the third sector will play a central role in providing the training, skills and innovation needed by employers across Wales.

Transferability of skills is crucial to the economy in times of crisis and when new training interventions are needed; National Occupational Standards (NOS) and the transferability they offer are crucial to these programmes. NOS are responsive to occupational and societal changes, and as such can accommodate the skills that Wales will require in the future. The new NOS Strategy will respond to the green recovery agenda as one of its key priorities, and commission LMI research to identify the most robust sources of data to respond to occupations which are emerging or facing significant change across the UK.

We also a need a long term and consistent policy on decarbonisation and increased support for innovation from the UK Government. From clarity for business on regulation and funding to action on fuel switching and carbon pricing, our calls demand a coherent framework that all of us can use to plan against. With the right framework, business and industry in Wales would finally have the certainty they need to accelerate their ambitions. As with other areas that were previously in receipt of EU funding, the levels of research capability and capacity in Wales is likely to decline over future years without the UK Government at least maintaining current levels of investment.

10.14 Welsh Government's policy on remote working

Budget for the remote working policy is not separately identified in the Economy budget. However because we have brought together a test network of hubs detailed in the [Press release - Remote working locations](#) at very low or no cost, we expect future expenditure to be focused on providing enabling tools, such as a digital platform for information and booking. These will be similarly low cost and focused on future commercial sustainability, therefore we expect costs to be managed as a pressure in year.

10.15 Trade

The [Export Action Plan](#) published in December 2020 and the delivery is a PfG commitment. The budget is maintained in the draft budget at £4.692m and aims to drive the growth in Welsh exports in the longer term. The Plan ensures we have a comprehensive range of export programmes to support businesses on their export journey, from - inspiring businesses to export; building export capability; finding overseas customers; and accessing overseas markets. International trade, however, has been significantly impacted by COVID-19 and the more complex trading relationship with the EU, our largest trading partner. This is reflected in the most recent provisional export statistics, which show the value of goods exports for Wales was £13.5 billion in the year ending June 2021, down £2bn (13.1%) compared to the

year ending June 2020, down £4.3bn (24.1%) compared to the year ending June 2019.

The Plan has put in place support for businesses at all stages of their export journey, including through dedicated ‘on-the ground’ support and advice via our team of International Trade Advisers, based across Wales. To inspire a culture of exporting and internationalisation amongst Welsh businesses, our Export Exemplar campaign is showcasing the successes of a number of experienced Welsh exporters to encourage others to consider exporting; and, we also launched a new pilot New Exporter programme to work intensively with targeted businesses who have the ambition and potential to become sustainable and successful exporters. To develop export capability, we are delivering a series of webinars and online training and advice on exports through the dedicated Export Hub. The new Export Cluster initiative was launched in the autumn, which brings companies together in key sectors to develop strong networks of support, working on a “one-to-many” basis to support export development, helping to ensure companies learn from each other and share knowledge and experience. To support businesses find overseas customers and accessing overseas markets, we continue to deliver overseas trade missions/exhibitions to promote Welsh exports, many of which have been delivered virtually, to key markets, supported by our overseas teams, as well as other key partners in-market such as Department for International Trade.

The budget supports our efforts to promote Wales as a destination for inward investment, a key commitment in the International Strategy. The activity focusses on opportunity-led investment and on those segments of the economy where Wales can demonstrate international class capabilities including compound semiconductors, fintech, cyber security, marine energy and specific aspects of life science such as regenerative medicine, neuroscience and medtech. As part of this, an extensive engagement programme is being delivered with our own overseas offices, wider networks, critical industry clusters and stakeholders to raise the profile of investment opportunities in Wales.

10.16 Border Control Posts

In accordance with the UK Statement of Funding Policy, the BCP facilities should be funded in full by the UK Government as the costs have arisen as a result of the UK Government’s EU Exit policy. However no funding was allocated in the Spending Review.

Since then, the Chief Secretary to the Treasury has committed to funding the costs of building BCPs in north and southwest Wales through reserve claims. This is welcome. The funding has not yet been included in the draft budget.

However the UK Government has not committed to funding the running costs, including the costs to set up the arrangements. Welsh Government believes these should also be met and discussions continue with UK Government.

10.17 Research, Development and Innovation

The 2022-23 budget does not currently outline specific allocation of funds for RD&I for the five priorities announced by the First Minister. The allocation in previous years has supported collaborative R,D &I by the private, public and third sectors. Our priorities continue to be:

- Deployment of research, development and innovation capacity to support our PfG, focusing on climate change, environmental recovery and decarbonisation;
- Building further on Welsh research, development and innovation capacity in the Health and Life Sciences;
- Developing a cross-Welsh Government innovation strategy for growth and skill development in the established research and innovation base.

We will continue to deliver our innovation agenda:

- **As a co-investor and risk-sharer in business RD&I.** Our current programmes help businesses develop new low-carbon products and processes. All applications are assessed against the Wellbeing of Future Generations goals.
- **As a stimulant to new public procurement practice.** We partner with the UK Government's Innovate UK, in developing Small Business Research Initiative competitions which enable public sector bodies to seek innovative solutions to their intractable issues, many of which relate to the decarbonisation agenda; e.g., helping Cardiff Council run a competition for portable renewable energy generation so it can reduce the need for diesel power at major events in the city.
- **As a deliverer for UK innovation facilities.** For example, securing the UK Challenge Fund's £36m Active Building Centre for Swansea. The centre is developing next-generation products and techniques that generate, store and release energy. This built on work of the SPECIFIC Institute, also in Swansea, which recently developed one of the first positive energy classrooms.
- **As a horizon scanner of national, European and global best-practice.** Through our work within international innovation partnerships, many of which are with other EU regions.

In previous years innovation has levered significant EU funding to provide an annual budget of c £21m which also addressed the ambitions in the Reid review and expectations for distributing and replacing EU funding for the former Government delivering significant outcomes:

TABLE 10 – INNOVATION OUTCOMES	
Outcomes	Impact
Businesses encouraged to grow through adoption of Innovative practices	881
Business investment in RD&I projects	£32m
Businesses partnering in collaborative RD&I projects	80
Innovative products, processes and services developed for societal improvement	382
Intellectual property rights registered (to retain the knowledge in Wales)	74
Investment secured for business growth through RD&I	£66m
Net GVA uplift generated by adoption of RD&I practices	£112m
Carbon Reduction: Businesses adopting or improving environmental sustainability strategies	961

This Government recognises the importance of RD&I to Wales but, given UK Government's changes on the Internal Market Act and control of UK Shared Prosperity Fund, has had to respond to the anticipated reduction in expected funding and related previous commitments reflected in the capital budget allocations of £31.4m over the next three years, including EU funding of £11.4m in 2022-23.

Universities in Wales have established the Wales Innovation Network (WIN) to support the development of collaborative bids in research and innovation, raising the prominence of Wales' capabilities in a number of important areas for business and community development. HEFCW have invested £1m in WIN over three years, and an interim director has just been appointed.

It is unclear what the UK Government £22bn investment in innovation by 2027 means for Wales and it is essential we secure funding levels at least equivalent to those we received historically via the EU and address historic underfunding from both competitive and non-competitive UK investment sources.

Work is underway to develop with Welsh partners a new cross Government Innovation Strategy. In devising the strategy there is a need to focus innovation effort towards recovery and growth. Professor Reid's review is one source of evidence which will inform this work, but during this term of Government our priorities and focus have, out of necessity, also evolved, taking into account current funding constraints.

Details of any funding during 2022-23 intended to resource the mission-based national innovation strategy that is part of the Co-Operation Agreement if this is not included in the above. Our new cross-government fully integrated innovation strategy will address opportunities and challenges to build on the momentum in public and private sector innovation caused by the Covid-19 pandemic. It will also address carbon measurement so that we can fully understand the impact we have on carbon reduction. A case will be made for funding to assist cross-government delivery and an assessment made on what is needed.

Committee Scrutiny 2020-21 – Research and Innovation EU Funding

During the period 2014–2020, Wales benefitted from over £2bn Structural Funds. Between 2014-2018, 20% of ERDF and ESF proportion was allocated to research and innovation. The total investment was c£334m between 2014 and 2020, approximately £60m each year. This includes a portfolio of strategic, complementary and specialist investments, covering Life Sciences, Energy, Advanced Engineering and ICT. In a UK context, during this period, Wales allocated c.€388m of the UK's total €1.5bn ERDF for Research and Innovation, the highest of any of the UK Devolved Administrations

The Horizon 2020 programme facilitated researcher collaboration, with its emphasis on excellent science, industrial leadership and tackling societal challenges. It also provided grant support across the full spectrum of R&D, from ground breaking research to close-to-market activity. By September 2018, Welsh organisations had secured some €102m of Horizon 2020 funding since the beginning of the programme, based on competitive excellence. This involved over 255 participations (awards) and 2,820 international collaborations representing a total investment of some €1 billion in projects involving collaboration from Welsh participants.

The Welsh Government's ERDF funded SMART schemes (SMART Innovation, SMART Cymru and SMART Expertise) provides an integrated suite of interventions that drive innovative behaviour in Welsh businesses. SMART Innovation has engaged with over 1,800 companies and encouraged 240 of these to seek

competitive funding from Innovate UK and Horizon 2020. SMART Cymru and Expertise and have supported over 340 companies with R&D projects worth over £100m with match funding.

Health and Care Research Wales (HCRW). The Welsh Government invests more than £42m in health and social services research annually. This provides support for an extensive infrastructure of centres, trials units and support groups, which deliver clinical research studies, lead multicentre international research and participate in research that has an impact on the health of Wales, the UK and globally. The Welsh Government has made significant investment in research infrastructure to support and increase capacity in research and development, designed to ensure that Wales builds on research strengths where it excels and includes vital collaborations with the life sciences industry, for the universal benefit of patients.

The Sêr Cymru II £60m programme was match funded. Designed to grow Wales' research capacity, it attracted a wider range of research-excellent stars in the early or middle stages of their career and fellowships to attract scientists on career breaks, back into research posts in Wales. Taken collectively the investment approximates some £100m from: Welsh Government, HEFCW, Welsh HEIs, European Regional Development Fund and Horizon 2020 funding.

In response to Covid-19, the WG held a research call to universities, via the programme, for novel research proposals contributing to the advancement of research, exploring expertise and talent within our university sector. The £5.4m initiative delivered 40 projects, leveraging £2.5m match funding. The following table summarises the HEFCW position:

TABLE 11 – DIRECT HEFCW SUPPORT			
	2019/20	2020/21	2021/22
	£'000	£'000	£'000
By Academic Year			
Research Wales Innovation Fund	7,500	10,500	15,000
Wales Innovation Network	-	150	420
QR (Quality Research)	75,800	75,800	81,700
PGR (PostGraduate Research)	6,500	6,500	6,200
Global Challenges Research Fund	2,500	2,800	-
Sêr Cymru programme	200	500	1,300
	92,500	96,250	104,620
Funds managed by HEFCW (Financial Year)			
Higher Education Research Capital*	6,980	9,430	6,980
UK Research Partnership Investment Fund**	-	7,280	22,640
	6,980	16,710	29,620

10.18 Skills and Employability

Young Persons Guarantee

The Young Persons Guarantee (YPG) is the umbrella structure, which sits above all programmes for young people, aiming to create a simple journey for young people regardless of their circumstances and background.

The YPG is forecast to cost **over £500m** in 2022-23 financial year across the Welsh Government; this includes costs within the Education and Welsh Language MEG in addition to the Economy MEG.

Within the Economy MEG, £68m is forecast in 2022-23 financial year. This includes circa £12m of European Social Funds in 2022-23 financial year from the JGW+ programme through the Traineeships ESF operations, subject to eligibility of activity. Circa £48m of this relates to existing budgets and activities which support the guarantee and £20m is additional budget which has been allocated in draft budget 2022-23 to support the expected additional NEET cohort.

Personal Learning Accounts

Personal Learning Accounts (PLAs), will benefit from an additional £1m up to 2024-25 taking it to an £18m programme for 2022-23 and £18.5m by 2024-25. The programme provides support across Wales for employed people on below average salaries to gain higher level skills to help them to access a wider range of job opportunities and/or gain employment at a higher level. As our first gender budgeting pilot Personal Learning Accounts meet evolving regional skills needs and continue to address skills gaps with funding specifically targeting labour shortages and skills gaps in priority sectors such as health and social care, logistics, green construction and renewable energy

The programme is also responsive to employers' upskilling requirements, in recognition of the ongoing challenges posed by Covid-19 and the challenges and opportunities arising from the UK's decision to leave the European Union.

The courses and qualifications are fully funded by the Welsh Government. All courses and qualifications delivered through the PLA programme are endorsed by Regional Skills Partnerships (RSPs) to ensure the provision meets evolving regional skills needs and addresses skills gaps.

This flexible approach to learning enables colleges to work differently to offer courses and qualifications to address the economic skills requirements for employed people regardless of their previous level of qualification achievement.

In partnership with RSPs PLAs will meet the evolving regional skills needs and continue to address skills gaps. In 2021-22, additional funding is being specifically targeted at addressing labour shortages and skills gaps in priority sectors such as reengaging and retraining staff to return to work in health and social care, training more HGV lorry drivers and reskilling individuals to respond to exciting new job opportunities in green construction and renewable energy.

An external evaluation has commenced, which will inform further policy or eligibility changes for the 2022-23 academic year to help the Programme reach more diverse groups of learners while maintaining its core aims and objectives.

Individual Eligibility:

- Live in Wales
- Want to gain skills/qualifications in priority sectors
- 19 years old or over

In addition, individuals must meet at least one of the following criteria:

- Employed people (including self-employed) earning under the median income (£29,534), or
- Workers on zero hours contracts, or
- Agency staff, or
- At risk of being made redundant, or
- Have been negatively financially impacted by COVID-19 (e.g. projected income is likely to fall below median wage)

To note: Funding for PLA activity sits within the Education and Welsh Language MEG

Working Wales

Working Wales is the Welsh Government's approach to delivering free, impartial, employability and careers advice tailored to an individual's needs and circumstances. The service, provides professional careers information, advice and guidance, for individuals over 16, by undertaking a needs-based assessment, including barriers to employment, and referring the individual to appropriate support. The service provides a national entry point to employability support, which supports and complements existing channels. Working Wales will refer individuals onto appropriate existing employability programmes supported by the WG including, JGW, ReAct and Traineeships.

Working Wales is the gateway into our Young Person's Guarantee, building on their already strong and successful model of delivering careers guidance and signposting support. From 30 September Working Wales, began to track and monitor the YPG.

ReAct+

ReAct+ is a new, exciting and refined adult employability programme offering individualised support to unemployed adults 18+ trying to enter the labour market by working closely with the individual to remove barriers to employment.

ReAct+ will form a key part of the response to the Young Person's Guarantee commitment by expanding the offer to the 18-24 year old NEET cohort. An incentive will also be offered to employers who recruit a NEET individual, this offer will also be available to employers that recruit an individual with a disability. The programme will offer an individualised approach and enable people to access relevant training and support and help prevent people entering long term unemployment by assisting them to move into sustainable work quickly.

ReAct+ is demand led adult employability grant programme where the individual along with support from a Working Wales adviser has the buying power, therefore providers vary across the regions, depending on the tailored needs of the citizen and sector based opportunities. This approach provides the project with the flexibility and the ability to respond quickly to the changing economic environment and changing priorities around the social well-being of Wales by responding to the needs of individuals and the barriers they face.

The new programme will retain the tried and tested approach to providing vocational training skills to individuals, while providing support with care and travel costs for example. ReAct+ will see the expansion of eligibility to include the NEET cohort, supporting the Young

Person's Guarantee commitment within the Programme for Government. An incentive will be offered to employers who recruit an individual from this cohort. Individuals who have a disability are also prioritised by the incentive to employers. ReAct+ will also support Ex-offenders and offenders serving their sentence in the community.

An exciting new addition to ReAct+ is a Personal Development Support grant which will address individuals' barriers to employment including but not limited to DBS checks, English for Speakers of Other Languages (ESOL) as well as well-being issues of self-esteem, confidence, motivation, resilience and attitude. This provision will only be available to individuals identified as having labour market disadvantages and who require further support to overcome these barriers to employment. ReAct+ will offer work experience where this is an identified barrier to employment and Working Wales will ensure an effective 'job match' for ReAct+ participants.

A new mentoring service will be introduced to the ReAct+ programme and will be available to eligible individuals, providing personalised support for those presenting with barriers into employment, taking the service the 'extra mile' to support individuals. Officials are working across Government with Communities for Work + and Working Wales colleagues on the development of this innovative element which builds on the outcomes of previous evaluations.

By targeting disadvantaged groups and enabling people to access relevant training and support quickly, the ReAct+ programme will help prevent people experiencing long term unemployment by assisting them to move into sustainable work quickly.

A cost analysis exercise has been undertaken to ensure that the support offered is current and realistic for individuals to engage in the programme and pursue their journey to employment. The table below highlights the key advancements of ReAct+:

TABLE 12 – KEY ADVANCEMENTS FOR REACT		
Programme Element	Current ReAct	ReAct+
Vocational Training	Up to £1,500	Up to £1,500
Extra Support	Up to £200	Up to £300
Care/Childcare	Up to £2,600 (childcare only)	Up to £4,550
Employer Recruitment Support	Up to £3,000	Up to £3,000 Additional £1,000 for employers who recruit a disabled person or an 18-24 year old who is NEET
Employer Training Support	50% contribution up to £1,000	50% contribution up to £1,000
Personal Development Support	This element is not available on the current ReAct programme	Up to £500 (<i>available to those identified as having a barrier to the labour market</i>)
Mentoring	This element is not available on the current ReAct programme	This is at no cost to the programme and will be built into the role of the Working Wales and Communities for Work + service.
Work experience	This element is not available on the current ReAct programme	This is at no cost to the programme and will be built into the role of the Working Wales programme and the good will of employer network.
Journey to employment (JobMatch @ Working Wales)	This element is not available on the current ReAct programme	This is at no cost to the programme and will be built into the role of the Working Wales programme.

JGW+

Jobs Growth Wales+ is a new and exciting opportunity which is a fundamental part of the new Young Persons Guarantee. JGW+ takes the best elements of Traineeships and Jobs Growth Wales and will provide an holistic, tailored package of support for young people who are, or who are at risk of becoming, NEET (Not in Employment, Education or Training)

The legacy Jobs Growth Wales programme was solely focused on employment offering young people a six month wage subsidised employment opportunity. Jobs Growth Wales+ retains this element but expands it so that it also focuses on those young people who are not yet job ready and helps them to reach that stage. There is also a much stronger focus on providing help for young people to reach their full potential by providing tailored assistance to help them overcome any barriers they may face when accessing employment or training opportunities.

The differences between Traineeships and Jobs Growth Wales+ are set out in this table:

TABLE 13 – DIFFERENCES TRAINEESHIPS:JGW+		
Activity	Traineeships	JGW+
Three strands	Engagement Level 1 Bridges to Employment (this strand was never operational)	Engagement Advancement Employment
First strand	Engagement Strand identifies and addresses barriers which prevent young people participating in learning or progressing to employment. This is done through work placements, voluntary opportunities and work placements as well as centre based learning to help young people gain a work focus which will allow them to progress to further learning or employment.	The JGW+ Engagement Strand is intended for young people who are assessed by Working Wales as: Needing to confirm or contextualise an occupational focus prior to entering further learning or employment including an Apprenticeship, and/or who are experiencing barriers preventing them from engaging in a programme of study at Level 1.
Second strand	The Traineeships Level 1 strand uses work placements (including voluntary work) and centre based learning to address learner's barriers and deliver a Credit Framework (QCF) qualification before the learner progresses to employment or another level of training.	The JGW+ Advancement Strand is for young people who are assessed by Working Wales as being occupationally focussed, and able to follow a level 1 qualification programme of study. The JGW+ Advancement Strand sets out the support and learning activities young people need to address any barriers they may face allow them to progress. This is achieved via work placements and centre based learning to deliver the appropriate qualifications.
	<i>This element of the Traineeships programme was never operational</i> The Traineeships Bridge-to-Employment strand was never utilised but was originally aimed at young people who were assessed as being occupationally focussed, above level 1 learning had completed the Traineeships Engagement strand; and had a minimum standard of qualifications.	The JGW+ Employment Strand provides a wage subsidy for a paid and sustainable job opportunity and is for young people who are assessed by Working Wales as being occupationally focussed, and job ready (meaning they are motivated, seeking work and have realistic expectations of the work they can do) The JGW+ Employment Strand sets out the support needed to address barrier/s identified in the ARR as which may be stopping young people from progressing. Wage subsidised employment opportunities (paid at 50% of the

		minimum wage) help young people progress in the world of work.
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JGW+ is contracted by tender; the contracts have been issued to the following Contractors under a Framework agreement within each Regional Lot:

TABLE 14 – JGW+ CONTRACT LOTS	
Region	Contractor
North Wales	Grŵp Llandrillo Menai (GLLM) Consortium
	Coleg Cambria
	ACT Ltd
South West & Mid Wales	Pembrokeshire College
	ITEC Training Solutions
	ACT Ltd
South Central Wales	ACT Ltd
	ITEC Training Solutions
South East Wales	ACT Ltd
	ITEC Training Solutions

The total procured Framework value sets a range of £100m-£200m for the full term of the agreement. It is anticipated that for 2022-23 financial year £31m will be required.

Flexible Skills Programme

The Flexible Skills Programme provides targeted skills interventions where skills needs cannot be met through existing provision or where there is a clear case for direct involvement by the Welsh Government. Officials, in parallel with regional skills delivery partners, work to ensure that skills support is firmly focused on the regional economic needs and opportunities presented, for example through Regional Skills Partnerships, Enterprise Zones and City Regions.

The programme is open to employers, employer-focused bodies and other consortia, with the aim of enabling and encouraging the development of flexible, industry-led skills solutions. The Programme can support, via a 50% contribution, eligible internal and external training delivery costs and training materials. It should be noted that the salaries of the employees that are undertaking training activities will not be considered as eligible training costs for the purpose of this funding award.

The programme can also be utilised as a mechanism to channel funds secured from other budget lines as appropriate, e.g. the EU Transition Fund and Covid Commitment. Utilising these budget lines the likes of Airbus have been in receipt of funding to support digitisation, automation and advanced manufacturing techniques within the Airbus business development plan.

Wales Union Learning Fund (WULF)

The WULF programme has been in operation for over twenty years, supported by Welsh Government funding.

The overarching aims of WULF are to:

- raise the skills of the workforce and facilitate progression by supporting Trade Union-led learning activity, in partnership with employers and others, with a focus on increasing the essential and digital skills levels and employability skills of the Welsh workforce, and also supporting workers to progress onto further learning and to gain

- relevant qualifications
- support the recruitment and networking of Union Learning Representatives (ULRs) in raising demand for learning from non-traditional learners, especially workers with low skill levels and disadvantaged groups in the workplace, helping them to overcome barriers to learning;
- be responsive to the emerging skills and employability needs of workers, helping to deliver the skills needs of both the current and future workforce;
- work with employers to assist with workforce development including establishment of collectively bargained learning agreements and provision of advice on workplace policies and practices that encourage participation thus increasing the likelihood of progression, resulting in more workers benefiting from fair work.
- encourage employers to recognise the value of developing individuals through workplace learning in support of employability and progression.
- Increase diversity and inclusion within adult learning by removing barriers to learning and working with employers to widen access to workplace learning and skills.

The intended participants of the programme are workers within the unionised organisations that are supported by those unions that bid into the fund. The current bidding round for delivery in 2022-25 is underway.

Inspiring Skills Excellence in Wales

The Inspiring Skills Excellence in Wales (ISEiW) project delivers a programme of activities that inspires and promotes vocational excellence in order to develop young people who will impact positively on the prosperity of the Welsh economy. The project, a Welsh Government funded initiative led by Coleg Sir Gâr, will continue to raise the profile of vocational skills in Wales and drive forward a skills agenda that will fulfil the requirements of education and industry in Wales.

National Occupational Standards (NOS)

We remain committed to maintaining a three-nation policy approach to UK-wide National Occupational Standards (NOS) to underpin Adult Vocational Qualifications and apprenticeship frameworks in Wales. NOS support social mobility and permit the transferability and movement of skills across companies, sectors and borders. NOS support cross-cutting PfG Commitments to:

- Build an economy based on the principles of fair work, sustainability and the industries and services of the future (Cabinet)
- Legislate to strengthen and increase our Welsh language education provision (Cabinet)

Lesson Learnt Jobs Support Wales

In September 2020 the Director General for Economy, Skills and Natural Resources announced at Public Accounts Committee that a review into the procurement for the Job Support Wales programme would be undertaken and a report produced.

The report contains the findings from a review carried out by internal audit. The review focussed on:

- Ensuring actions agreed in response to recommendations made in the ESNR review have been implemented;
- Reviewing a sample of procurements undertaken to confirm the new processes have been adopted and improvements have been made.

Conclusions from the report focused on ensuring secure governance, risk management and internal control within those areas under review were suitably designed and applied effectively. All recommendations had been implemented and actions were in place to closely monitor future procurements

The initial review and the subsequent follow up work by Welsh Government's Internal Audit Services has provided the assurance that all necessary steps have been identified to protect the position of the Welsh Government and its responsibility to use public funds in a safe and controlled manner. The lessons learnt from both procurement exercises for Job Support Wales were at the core of all decisions made relating to the new programmes, and were supported by knowledge matured during the development of Job Support Wales to maximise value for money and time already invested in relation to adult and youth employability.

10.19 Work Based Learning

The actual 2020-21 outturn for the Traineeship programme is £30.4m (inclusive of ESF income). The expected outturn for this programme for 2021-22 is £32m (including ESF income).

The actual 2020-21 outturn for the Apprenticeship programme is £124.22m (including ESF income). The expected outturn for this programme in 2021-22 is £150m. This increase in the 2021-22 outturn reflects the increased cost of the Employer Incentive Scheme.

The proposed 2022-23 Work-Based Learning BEL is net of £5m to be transferred to HEFCW to support Degree Apprenticeships. It is anticipated that further funding will be transferred in year in the supplementary budget to support the cost of new and continuing Degree Apprenticeships in 2022-23. The cost is not confirmed at this stage.

The Welsh Government commissions new and revised apprenticeship frameworks via contracting arrangements with Skills Development Scotland (SDS). SDS manages the tendering and contract management process on behalf of the devolved nations.

In order to ensure the apprenticeship offer remains current and relevant to the needs of employers in Wales, £145,000 has been allocated in 2021-22 for the development of apprenticeship frameworks. This amount is based on expenditure in previous years and includes:

£135,000 to be made available for apprenticeship framework developers via the SDS Commissioning process to develop new apprenticeship frameworks and revise existing ones. This will include commissioning a review of the Automotive, Transport & Logistics, Digital Technology, Hospitality & Catering Energy and Business and Management frameworks; and

£10,000 for reviewing the Engineering and Advanced Manufacturing Degree Apprenticeship Frameworks. This will involve quality assuring additional degree qualifications for these frameworks.

In addition, recognised Development Partners are also able to develop and review frameworks. These are non-commissioned reviews but have to be agreed by Welsh Government prior to commencement. In 2021-22, Welsh Government has agreed to the

non-commissioned development and review of frameworks in the Healthcare and Construction sectors.

It is our intention to continue to develop and review the frameworks outlined above in 2022-23 and to also commission the development and review of frameworks in the following sectors: Property Services, Engineering & Advanced Manufacturing and Materials, Hair & Beauty and Tourism, Travel & Leisure.

It is expected that £140,000 will be committed for this purpose in 2022-23.

Demand-management restrictions and actions to manage apprenticeship demand

Our Apprenticeship Action Plan (2017) signalled our intention to move the Apprenticeship programme towards supporting new entrants and employees who are relatively new in their job role. It also identified the need to move away from generic apprenticeships towards those that are sector specific. Our current eligibility rules reflect this direction of travel but also allow some flexibility to support those sectors and learners who are disproportionately affected by the impact of Covid-19.

Our general approach is that employees (excluding disabled individuals) are ineligible for a level 2 Apprenticeship if they have been employed for more than 6 months in the same job role and those employed for more than 12 months are also ineligible for a level 3 Apprenticeship. There is no employment length restriction in place for learners seeking to undertake a level 4/5 apprenticeship. We have also restricted the availability of generic apprenticeships to those learners who are disabled or new to employment.

However, in recognition that young people are disproportionately impacted by the economic downturn, employees aged 16-24 are not deemed to be ineligible for an apprenticeship on the grounds of length of employment in their current job role. The only exception to this will be for those Level 2/3 apprenticeships that have been identified as generic (e.g. Business Administration, Retail and Customer Service, Team Leading and IT Users) as these will only be available for new recruits. This relaxation will be subject to further review but will apply until at least the end of July 2022.

In addition, in recognition that the Tourism and Hospitality sector in Wales has been significantly and disproportionately impacted by Covid-19 restrictions, with anecdotal evidence suggesting that significant numbers of employees are de-motivated, lacking confidence in the future of the sector and seeking alternative employment, we relaxed the apprenticeship eligibility rules to enable its employees to undertake an apprenticeship irrespective of their length of employment. It was widely regarded that providing opportunities for up-skilling would go a long way towards improving staff motivation and confidence; thereby helping to retain staff. This relaxation is expected to be in place until at least the end of July 2022.

We intend to retain these demand management approaches into the 2022-23 year and will review the requirement to retain the Covid related relaxations post July 2022.

The Employer Incentive Scheme (EIS) has been successful in attracting circa 5,500 learners into apprenticeships since August 2020. Whilst this scheme is planned to end in February 2022, the budget from 2022-23 onwards will allow the scheme to continue for disabled apprentices. The number of disabled people starting an apprenticeship in Wales already falls behind both Scotland and England. Currently over 8% (2020/21 Q2) are disabled whilst the figures in Scotland and England is over 11%. The continuation of the EIS

for this cohort will help to increase the participation of this disadvantaged group and will help us achieve our target of eradicating the gap between the employment rate in Wales and the UK by 2050 with a focus on Fair Work and raising labour market participation of under-represented groups.

10.20 Regional Skills Partnerships/Employer Engagement

In responding to the PfG commitment to 'Strengthen Regional Skills Partnerships' and the recommendations of the EIS Committee (October 2019) and its recognition of the 'clear resource challenges' the Regional Skills Partnerships (RSPs) have faced, officials have proposed an increase of funding to the RSPs. This increase will enable RSPs to make required improvements and ensure they are able to effectively carry out their work of aligning Further Education and Apprenticeship provision with employer need, aid in recovery from Covid-19, and ensure we have the skills required as part of our drive to Net Zero.

A fourth RSP, covering Mid Wales, was established in April 2021 with this RSP receiving the same level of funding as the existing RSPs (£165,000 per annum). Officials propose an increase of the funding for RSPs from £660,000 in 2021-22 to £1,160,000 in 2022-23. This amount would be split equally between the four RSPs at £290,000 per RSP, although officials are currently investigating how to best provide the RSPs with a central research capacity and funding for this may have to be drawn from this total budget. This is in response to the EIS Committee recommendations.

In addition, RSPs have been provided with an additional £100,000 in 2021-22 (£25,000 per RSP) to conduct engagement with their delivery partners to help Welsh Government's understanding of the current marketplace in terms of projects and programmes to support young people and how projects can contribute to the Young Person's Guarantee. This work is expected to be repeated next year with further funding provided.

Welsh Government does not provide any other funding to support the operation of Regional Skills Partnerships.

10.21 Brexit

The impact on the labour market is unprecedented with significant disruption. That has led to sharp falls in the number of people employed, the number of hours they work and the number of job vacancies on offer. The impact of the pandemic threatens to reverse progress made in reducing unemployment and economic inactivity in Wales over the last decade. However, we seek to move forward with a renewed focus on our goals to tackle the forecast rise in unemployment (in collaboration with the Department of Work and Pensions WP), to address the Not in Employment Education or Training (NEET) rate of young people, to improve qualification levels in Wales, and to reshape the skills of the existing workforce and promote fair work in Wales.

For the economy to emerge stronger and more productive than before, both individuals and businesses will need support to navigate the crisis. The Welsh Government employability offer will be central to our economic recovery and ambitions to Build Back Better, and crucial in supporting those most likely to be negatively impacted in the Welsh labour market.

We are expanding front lines services via Employment Bureaus (Further Education), Working Wales, and the Communities for Work Plus (CfW+) advisor and mentor

infrastructure. To help people back into work, we are directing people to access Working Wales as the portal to our wider employability offer.

Our goal is to support the 'Return' and 'Retention' of the current workforce, 'Restart' an individual's employment journey following a period of unemployment or furlough, and prepare and 'Reskill' people across Wales for the future world of work.

Working across Government, we remain firmly committed to supporting people into employment or self-employment, securing learner continuity and progression in the labour market throughout this pandemic.

The Welsh Government has been clear and consistent in its priority that Wales will not to lose a penny of funding due to Brexit; as promised during the referendum.

We have assurance that the UK will continue to participate in EU programmes funded through the 2014-2020 Multiannual Financial Framework under the terms of the Withdrawal Agreement, meaning we will be able to continue to deliver our programmes through to December 2023.

Since the Referendum in 2016, we have been working with stakeholders across Wales on a new regional investment policy which puts us in a strong position to hit the ground running when the EU Structural and Investment funds begin to tail off towards the end of this year.

The Framework for Regional Investment in Wales, published 18 November 2020, sets out our high-level strategy for achieving prosperity and an inclusive economy to which local, regional and national (i.e. Wales-wide) interventions will contribute.

10.22 EVIDENCE BASE / EVALUATION & REVIEWS

Evidence from a wide range of sources underpins our financial decisions such as published research, engagement with stakeholders, previous policy evaluations and statistics. This is embedded in decision making with some examples as follows.

Economic Resilience Fund

Welsh Government appointed Economic Intelligence Wales to undertake an impact and evaluation. The first stage report [Covid-19 Welsh Government Financial Interventions: An Analysis of Welsh Beneficiaries](#) assessed Welsh Government Phase 1 and 2 business grants and the Covid-19 Wales Business Loan Scheme managed by the Development Bank of Wales. It also considers the Non-Domestic Rates grants administered by local authorities. Other schemes have more recently opened to firms in Wales for applications and these are not analysed in this initial report.

The initial findings in the report are:

- The first 2 Phases of the ERF have provided over £200m of grants to support businesses in Wales. This figure excludes support paid through the Non Domestic Rates grant of £770m which was paid to 64,000 businesses.

- In total these ERF business grants have directly supported almost 12,000 organisations in Wales and 125,000 jobs (full-time plus part-time), representing around 10.5% of total employment in Wales.
- Average funding awarded was £15,620. On average, the amount approved for SMEs was just over 77% of the value of funds applied for by firms in Wales.
- Almost 80% of recipient firms were micro businesses, receiving an average grant of almost £10,000. Small firms comprised 18% of supported firms with average funding of almost £31,000 per firm. Medium-sized firms accounted for almost 3% of recipient firms, with an average grant of almost £74,000. Large firms received an average grant of around £302,000.
- The wider impacts of the support could be significant, with many thousands of further jobs supported indirectly in related businesses through supply-chain effects and wage spending effects.

There are a further two stages to the work of the EIW which include a survey element and a follow on impact and conclusion evaluation. The survey element has now concluded and an analysis been undertaken which is due early in 2022.

Working Wales plays a vital role in evaluating and understanding an individual's needs and the complex barriers they present. In doing so, they are able to determine the most appropriate provision to meet the needs of that individual. The service provides a national entry point to employability support, which supports and complements existing channels; thereby avoiding duplication and ensuring value for money.

We are developing a new adult employability programme, to start delivery in late 2021-2022. The new Adult Employability Programme will build on the proven successes, concept and brand to combine ReAct (redundant workers All-Wales) and Access (unemployed people) to provide this full employability offer to unemployed adults in Wales. The programme will provide individualised support to those trying to enter the labour market by removing barriers and providing grant support such as vocational training, childcare, travel costs and wage subsidies. The main aim of the programme is to enable progression into sustained employment.

The new programme will utilise a format that is tried and tested and will offer a programme of support to fulfil the aims of Taking Wales Forward and the Employability Plan. ReAct development, evaluations and audits over the past 20 years have helped the programme become efficient and effective at assisting people enter employment.

We have funded the Wales Social Partners Unit, through a competitive tender process, to deliver engagement services between Social Partners and the Welsh Government in Wales. This helped to ensure that the views of some of our key stakeholders are embedded into policy development and delivery. This area of spending underwent an independent evaluation. The organisation's resource is now located within the Social Partnership and Fair Work directorate within Welsh Government.

In 2018, Welsh Government commissioned a research report: "Commercial Property: Market Analysis and Potential Interventions" to evaluate the supply of and demand for modern sites and premises in Wales. The SQW report has been used to support the implementation of the Welsh Government's Economic Action Plan: Property Delivery Plan.

An additional note has been produced alongside the final report to consider the potential implications of the Covid 19 pandemic, given the report was delivered at the start of the outbreak. This area is reviewed to ensure evidence is reflective of the current and future circumstances.

Business Wales Impact Assessment

During 2021, Cardiff Business School was commissioned to provide an independent assessment of the economic outcomes associated with Business Wales. Findings of this Economic Impact report as follows:

Core and Growth (Level 1-4)

- The four year survivability rate is **67%** compared to **33%** for a matched sample of non-assisted businesses
- The service has generated **£92m** of business investment connected to projected turnover of **£7.76bn**
- For Each **£1** invested, this can be linked to around **£10** of net GVA uplift per annum.
- An estimated **5,108** of the **10,408 safeguarded jobs** under these programmes would not have been protected in the absence of the support. The net (additional) jobs are estimated to be connected with around **£266m of GVA.**

Accelerated Growth Programme

- The four year survivability rate for AGP assisted businesses is **77.4%** compared to **32.7%** for a matched sample of non-assisted businesses
- **£377m** of business investment connected to projected turnover of **£5.99bn.**
- For each **£1** invested in AGP, this can be linked to around **£18** of net GVA uplift per annum Since 2015-16, AGP supported around **£377m** of investment in enterprise, **9,755 jobs**, and **£266m** of exports.
- Total gross **9,755** jobs created translates to around **5,332** net jobs i.e. around 45% of the employment outcomes might have occurred in the absence of the Business Wales AGP intervention. These net jobs are estimated to be connected with around **£410m of GVA.**
- Additional employment created/activity estimated **£410m GVA** per annum.

Business Wales Customer Satisfaction

2703 businesses / individuals interviewed that have previously accessed the Business Wales service. Cumulative results as follows:

91% of those interviewed were satisfied with the advisors expertise and knowledge.
87% of those interviewed were satisfied with the quality of advice.
86% of those interviewed would recommend the service to others.
85% of those interviewed were satisfied with the overall service they received.

Business Wales Brand Awareness

Independent Brand awareness survey conducted in November 2021 by Beaufort Research as part of their omnibus surveys (interviewing 500 businesses).

Independent Brand awareness survey conducted in November 2021 by Beaufort Research as part of their omnibus surveys (interviewing 500 businesses).

Before today, were you aware that the Welsh Government provides a dedicated business support service to people running or starting a business?
2021 results – Yes 55% / No 42% / DK 2%

This is a positive increase of 10% from 2020 results

10.23 MONITORING BUDGETS

There are well-established processes in place for detailed and effective management of voted budgets in-year to the Economy MEG. A significant element of planned activity in the MEG is demand led such as the Economy Futures Fund and invariably large infrastructure projects which are undertaken by third party contractors. Consequently expenditure can be affected by factors outside Welsh Government control such as adverse weather conditions. Plans are monitored closely by the senior management team to agree options and proposals for corrective action to seek to manage net expenditure at budget levels.

Robust challenge reviews are undertaken at mid-year to identify any significant issues and inform options for the consideration of the Directors, Minister, and Deputy Minister and available resources reprioritised to remain responsive to economic developments.

10.24 LEGISLATION

There is no current legislation requiring provision in the draft budget plans.

Summary

The Economy MEG Draft Budget for 2022-23 is presented to the Committee for consideration.

Vaughan Gething
Minister for Economy

Agenda Item 6

Document is Restricted