

Agenda – Economy, Trade, and Rural Affairs Committee

Meeting Venue:

Committee room 5 – Tŷ Hywel
and video Conference via Zoom

Meeting date: 31 January 2024

Meeting time: 09.30

For further information contact:

Robert Donovan

Committee Clerk

0300 200 6565

SeneddEconomy@senedd.wales

Hybrid

Private pre-meeting

(09.15–09.30)

Public meeting

(09.30–10.35)

1 Introductions, apologies, substitutions, and declarations of interest

(09.30)

2 Papers to note

(09.30)

2.1 General Ministerial Scrutiny session – 13 December 2023

(Pages 1 – 3)

Attached Documents:

Letter from the Minister for Rural Affairs and North Wales, and Trefnydd – 16
January 2024



2.2 Development Bank of Wales inquiry

(Pages 4 – 7)

Attached Documents:

Letter from the Minister for Economy – 17 January 2024

2.3 Legislative Consent: Animal Welfare (Livestock Exports) Bill

(Pages 8 – 10)

Attached Documents:

Letter to Compassion in World Farming – 19 January 2024

Letter to Farmers' Union of Wales – 19 January 2024

Letter to National Farmers' Union Cymru – 19 January 2024

2.4 Farming Connect

(Pages 11 – 16)

Attached Documents:

Letter to Lantra – 23 January 2024

Letter to Menter a Busnes – 23 January 2024

Letter to the Minister for Rural Affairs and North Wales, and Trefnydd – 23 January 2024

3 Development Bank of Wales inquiry: Panel 1 – Welsh Perspective

(09.30–10.30)

(Pages 17 – 34)

Professor Dylan Jones–Evans

Tegid Roberts

Attached Documents:

Research brief

4 Legislative Consent: Trade (Comprehensive and Progressive Agreement for Trans–Pacific Partnership) Bill

(10.30–10.35)

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

(10.35)

Private

(10.35–11.20)

6 Consideration of evidence following the meeting

(10.35–10.40)

7 Welsh Government Draft Budget 2024–25: Agree report

(10.40–10.55)

(Pages 35 – 68)

Attached Documents:

Committee report: Scrutiny of the Welsh Government’s draft budget 2024–25

8 Legislative Consent: Trade (Comprehensive and Progressive Agreement for Trans–Pacific Partnership) Bill

(10.55–11.15)

(Pages 69 – 91)

Attached Documents:

Research brief

Legal Advice Note

9 The Future of Welsh Steel: consideration of approach to scrutiny

(11.15–11.20)

(Pages 92 – 93)

Attached Documents:

Future of Welsh Steel: consideration of approach to scrutiny

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

SeneddEconomy@senedd.wales

16 January 2024

Dear Paul

Thank you for your letter of 3 January containing follow up questions relating to my attendance at the Committee on 13 December for General Scrutiny. Please find my responses below.

Sustainable Farming Scheme (SFS)

- Can the Minister set out how she will be engaging with the farming industry with regard to payment rates, to ensure buy-in and participation in the SFS scheme to assure its success?

My officials have organised a series of 10, in person events across Wales during the consultation period, to provide an opportunity for farmers to ask questions about the proposed scheme design and payment methodology. This includes the Universal Baseline and Stability payments.

I have proposed, in the consultation, a farmer who joins the Scheme and who received a BPS payment in 2024, could also receive a Stability Payment, which is additional to the Universal Baseline Payment received under the Scheme. The Stability Payment will help farmers make the transition from one system of support to another and provide additional financial support in advance of the Optional and Collaborative Actions of the SFS becoming available. The payment is also expected to provide continuity for BPS applicants who previously claimed for common land, the inclusion of SSSI areas and organic status (which is being considered for possible introduction in 2024). The Stability Payment will provide certainty for farmers who join the Scheme about their overall level of support during the Transition Period.

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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.

Similar farmer engagement events are expected to be repeated following the consultation, once the final decision on the Scheme design and payment rates has been made. These events, which will be supported with the detailed Scheme guidance, will include opportunities for farmers to ask about payment rates and understand the potential impact on their businesses.

Applying lessons learnt from implementing the Habitat Wales scheme (HWS)

- Can the Minister provide a list of lessons learned from designing the HWS that will be considered for finalising and implementing the SFS?

Once all contracts have been issued in January and accepted by successful applicants, we will then be able to reflect on the development and delivery of the Habitat Wales Scheme and consider how lessons learned can be used as the Sustainable Farming Scheme is finalised.

From the development and application process, the greatest lessons have come from the use and presentation of data to prospective applicants. We are actively looking at the issues encountered in the early days of the application window and how these may be addressed in future delivery.

Launching this Scheme was a significant achievement. Based on the initial data taken from Expressions of Interest, over 276,000ha of habitat land could potentially be supported on individual farms. This is far greater than the 206,830ha supported under Glastir Advanced contracts. Of this, over 22,800ha is woodland habitat.

As I stated above, there are lessons to be learnt as we move towards the implementation of SFS. We need to ensure we get the underlying data right for SFS and ensure farmers and officials have the necessary time to consider and capture data correctly.

This year, RPW will be carrying out a data confirmation exercise, which will include ground truthing the habitat data sets and other landscape features, such as trees, woodland and hedges, to produce new online maps for SFS. We will be working closely with Natural Resources Wales and farmers in the completion of this work. Officials will also be giving farmers the opportunity to update business and land tenure details in readiness for the roll out of SFS.

Agricultural Pollution Regulations

- Members look forward to receiving that update on the assessment of proposals for alternative measures as soon as possible, given that the enhanced nutrient management approach is a temporary measure put in place for the 2024 calendar year.

As indicated in my evidence to the Committee on 13 December, any update on the alternative measures proposals may not be available until well into the year. My letter of 25 May 2023, to the Chair of the Economy, Trade, and Rural Affairs Committee on this matter sets out the current position. I will be happy to provide an update once my officials have had opportunity to undertake further work in relation to the proposals and consider them in the context of the 4-year review of the Control of Agricultural Pollution Regulations.

Animal Disease

- Members welcome the proactive work being done, and would appreciate seeing the summary report of the recent table-top exercise and workshops, once completed, to help understand any gaps in preparedness and how these are being addressed.

The Exercise London Plane Report will be completed following the final Livestock Movement workshop on 07/02/2024. We hope to receive the final report later in February.

- Members would appreciate receiving more information in particular about preparedness and vaccine stocks available for Bluetongue viral disease given the recent detection in England.

We continue to work closely with APHA and other GB / UK animal disease policy teams on preparedness for Bluetongue. To note there is no vaccine (in the UK or Europe) for BTV-3, the strain of the Bluetongue virus that has been detected in England (since mid-November).

Yours sincerely

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



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: VG-PO-015-24

Paul Davies, MS
Chair
Economy Trade and Rural Affairs Committee

17 January 2024

Dear Chair,

I welcome the Committee's Development Bank of Wales inquiry and attach initial comments to support the consultation phase and also refer the Committee to my October 2022 Statement marking the fifth anniversary of the Development Bank:

[Oral Statement: Development Bank of Wales – Investing with ambition \(25 October 2022\) | GOV.WALES](#)

I look forward to appearing before the Committee later in the year.

Yours sincerely,

Vaughan Gething AS/MS
Gweinidog yr Economi
Minister for Economy

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To: Paul Davies MS, Chair of the ETRA Committee
From: Vaughan Gething MS, Minister for Economy
Date: 17 January 2024

Re: Development Bank of Wales Inquiry - 2024

Purpose

This paper provides background information to support the initial considerations of the Committee as it commences its inquiry. A further evidence paper will be provided ahead of the Minister attending the Committee on 24 April.

Development Bank of Wales Overview:

The Development Bank is a key part of the Welsh Government's strategy to deliver a more prosperous and secure Wales and to support the economy of Wales by making it easier for businesses, innovators and entrepreneurs to get the finance they need to start up, strengthen and grow.

The Development Bank's primary role is to fill the space between business' need for finance and the supply of finance in the market. It addresses the 'gap' where the conventional risk appetite and products of private sector funders cannot meet the needs of finance-seeking businesses. It is required to operate on a commercial basis and its role is not to displace the market.

The Development Bank is an arm's length body and as such Welsh Ministers do not take part in day-to-day operational matters, commercial matters, or decision-making within the Development Bank of Wales Group. The governance structure includes the Board of Directors, the Audit and Risk committee, Remuneration Committee and Nominations Committee.

At formation in 2017, the Development Bank was set an annual investment target of £80 million by 2020. That initial target was met just two years later in the financial year ending 31 March 2019. Over its first five years (2017-2022) the bank has exceeded investment targets, delivering an economic impact of £1.2bn. In 2023-24 equity and debt investments totalled £124m.

The Development Bank supports priorities across the Welsh Government through provision of funds and services. It has proven capable of delivering complex solutions at pace. This was demonstrated in 2020 when it launched the first Covid-19 emergency lending scheme in the UK. More recent examples include the introduction of a new Green Business Loan Scheme and delivery of the Welsh Government's Help to Stay scheme.

With a customer portfolio of over 3000 businesses, the Development Bank offers an extensive funding range supporting the needs of smaller scale micro lending through to large scale growth finance.

As well as managing funds and making investments, the bank also provides service functions to Welsh Government on a contractual basis. Delivering Help to Buy Wales

is the largest of these functions. WG has also invested £8m into the bank for Mutual Investment Model Scheme (“MIMS”) projects where the bank becomes the public equity holder in companies that raise capital on international markets and deliver major capital projects such as road, hospital and school builds. The bank also manages a number of complex loans on behalf of Welsh Government and through the Recovery Support Group provides timely intervention supporting businesses in crisis.

The Development Bank’s point of differentiation as an investor is the partnership approach they take with their customers. *Best in class with a human face* has become the operational ethos of the organisation. The 2022 brand perception survey clearly evidences that both customers and intermediaries hold the development bank in high regard. For customers the strongest brand attributes are ‘honest and trustworthy’, ‘expert and professional’ and ‘explains things clearly’. The bank’s most recent Net Promoter Score, the measure used to track customer experience based on their likelihood of recommending a product or service, is rated as ‘excellent’.

Remit letter & Corporate Plan

Remit letters articulate policy and delivery priorities and have historically been issued on an annual basis. In November 2021 a 5-year Term of Government Remit letter for the Development Bank of Wales was issued, the first such Term of Government Remit to any Arm’s Length body in Wales.

The bank’s Corporate Plan [[Development Bank of Wales Corporate plan 2022/27](#)] developed in response to the remit sets out how it is supporting Welsh Government in tackling priorities from economic development to residential decarbonisation. Progress against the targets contained within the Corporate Plan are updated annually in the bank’s Operational Plan.

The Remit letter also directs the bank to place emphasis on delivery across Wales, across sectors, and to support businesses of different sizes and at different stages of development and growth. The regional distribution of investment activity is balanced across Wales.

Reporting and Assurance

The Board meets bi-monthly and Ministerial meetings with the Development Bank’s Chair and CEO take place biannually allowing the opportunity to receive updates on organisational performance and strategic challenges. These meetings also provide the opportunity to understand where and how government more broadly may support the work of the bank. These regular meetings form part of the agreed governance framework for the bank.

The Welsh Government has an observer who attends Board meetings, officials also attend the Audit and Risk Committee. Communication between the bank and Welsh Government is effectively managed by the Partnership Team and the Chair and / or CEO regularly write to the Minister giving notification on key developments, achievements, or challenges.

Evidence and feedback from the market tells us the Development Bank of Wales has established itself as a highly credible institution. It is respected by customers and stakeholders in the sector.

The Board and Audit and Risk Committee has provided a letter of assurance to Welsh Government noting the bank's Internal Audit Annual Report giving an opinion "the organisation has an adequate and effective framework for risk management, governance and internal control."

The Public Accounts and Public Administration Committee took an item on the Wales Life Sciences Investment Fund in December. There will be a lessons learned review undertaken by the bank on behalf of the Welsh Government which will be shared with the committee in due course.

Capitalisation

Business finance is a long term undertaking, particularly where equity investment or patient capital is involved. The Development Bank is currently well capitalised, with profiled investment activity extending through to 2031 for the Wales Flexible Investment Fund.

The bank does not receive 'grant in aid'. Rather, it utilises returns from interest charged on loans to meet organisational costs. In this way, when the Welsh Government provides capital to support a fund operated by the bank, 100% of that funding is deployed into businesses.

The bank seeks to maximise value for money to create a financially sustainable model for core business lending. The ability to "recycle" funding significantly adds to the value proposition.

The Development Bank operates a portfolio of funds effectively deploying capital to support economic development objectives. Some funds are higher risk than others due to the nature of the investments or loans they make. Managing a balanced portfolio, the bank is on track to fully repay its loan obligations to the Welsh Government.

Moreover, funding deployed by the Development Bank leverages significant private sector funding, improving further the overall value proposition. £114m additional investment from banks and other private-sector co-investment in 2022/23.

The contribution made by EU funding to the development of the bank has historically been significant. Today the Development Bank is no longer reliant on EU funding or successor UK based funds to sustain current investment levels into Welsh businesses.

End.

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

James West
Chief Public Affairs Manager UK
Compassion in World Farming

19 January 2024

Legislative Consent: Animal Welfare (Livestock Exports) Bill

Dear James

The Welsh Government's **Legislative Consent Motion** (LCM) on **the Animal Welfare (Livestock Exports) Bill** has been referred to the Economy, Trade and Rural Affairs Committee for scrutiny. Members will be considering the LCM at our meeting on 7 February.

Ahead of our consideration of the LCM, Members have decided to write to a selection of organisations with interests in farming and animal welfare to seek your views. Please could you send us your thoughts on the LCM and the Bill's potential impact on the farming industry and livestock in Wales?

Please can you send any response to this letter by 1 February. I apologise for the short deadline, Committees are given extremely limited time to scrutinise LCMS.

The Committee has also written to NFU Cymru and FUW.

Kind regards,



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

We welcome correspondence in Welsh or English

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Ian Rickman
FUW President
Farmers' Union of Wales

19 January 2024

Legislative Consent: Animal Welfare (Livestock Exports) Bill

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The Committee has also written to Compassion in World Farming and NFU Cymru.

Kind regards,



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

We welcome correspondence in Welsh or English

Aled Jones
President
NFU Cymru

19 January 2024

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Kind regards,



Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English

Sarah Lewis
Deputy Director
Lantra Wales

23 January 2024

Committee inquiry: Farming Connect

Dear Sarah

Last year the Committee agreed that its spring work programme would include looking at Farming Connect and how it will support the implementation of the Sustainable Farming Scheme. Having pursued invitations to Farming Connect officials to give oral evidence, it appears that the tender process for the new contract, and ongoing consultation on the SFS, are factors in the timing of this work.

The Committee has decided to go ahead with seeking views on Farming Connect from a range of farming and environmental stakeholders at its meeting on 22 February, but will seek oral evidence from those delivering the contract at a later date, once the tendering process is complete.

While I appreciate that your organisation will not want to prejudice any future bid you may be planning to make for the next round of Farming Connect contracts, to help inform our work the Committee would be keen to hear about your views and experience around the current operation of Farming Connect, especially including your interactions with farmers, anything that hinders your work and anything you would like to see changed in the next round of tendering.

I would be grateful for the Committee to receive a response in time to inform the sessions planned with stakeholders, i.e. by close of play on Monday 5 February.

I have also written to Menter a Busnes asking for their views.

Kind regards,

Paul Davies

Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English



Eirwen Williams
Director
Menter a Busnes

23 January 2024

Committee inquiry: Farming Connect

Dear Eirwen

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I would be grateful for the Committee to receive a response in time to inform the sessions planned with stakeholders, i.e. by close of play on Monday 5 February.

I have also written to Lantra asking for their views.

Kind regards,

Paul Davies

Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English

Lesley Griffiths MS

Minister for Rural Affairs and North Wales, and Trefnydd

23 January 2024

Committee inquiry: Farming Connect

Dear Lesley

Last year the Committee agreed that its spring work programme would include looking at Farming Connect and how it will support the implementation of the Sustainable Farming Scheme. Having pursued invitations to Farming Connect officials to give oral evidence, it appears that the tender process for the new contract, and ongoing consultation on the SFS, are factors in the timing of this work.

The Committee has decided to go ahead with seeking views on Farming Connect from a range of farming and environmental stakeholders at its meeting on 22 February, and will initially seek written evidence from those delivering the current contract, with oral evidence taken from the new contract holder(s) at a later date. To inform our work it would be very helpful if you could confirm the following:

- The expected timings of the tender process (to help the Committee know how best to feed views into the process of agreeing terms of reference and remit for those delivering the new contract);
- when the new contractor/s will be in post (to help the Committee know when it might ask them to come in to discuss their plans);
- plans for transition between the current and future Farming Connect contracts to ensure a smooth transition and handover;

- details of the Welsh Government's plans for the new contract – e.g. which programmes/services will be prioritised and what resource is available; and
- how the Welsh Government expects Farming Connect to help implement the broad elements of the proposed SFS (while acknowledging the SFS is still out to consultation).

I would be grateful for the Committee to receive a response in time to inform the sessions planned with stakeholders, i.e. by close of play on Monday 5 February.

Kind regards,



Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English

Agenda Item 3

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Agenda Item 7

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Agenda Item 8

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Agenda Item 9

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