

Agenda – Enterprise and Business Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: Wednesday, 9 March
2016

Meeting time: 09.15

For further information contact:

Gareth Price

Committee Clerk

0300 200 6565

SeneddEcon@Assembly.Wales

Private pre-meeting (09.15–09.30)

1 Introductions, apologies and substitutions

2 Discussion of issues affecting the rural economy

(09.30–10.20)

(Pages 1 – 31)

Ross Murray, President, Country Land and Business Association

Attached Documents:

Research brief – Rural economy

EBC(4)–08–16 (p.1) Evidence from the Country Land and Business Association

EBC(4)–08–16 (p.1a) Evidence from the Country Land and Business Association

EBC(4)–08–16 (p.1b) Letter from William Graham AM to the First Minister

Break (10.20–10.40)

3 Scrutiny of the EU Funding Ambassadors

(10.40–11.30)

(Pages 32 – 46)

Dr Hywel Ceri Jones, EU Funding Ambassador

Dr Grahame Guilford, EU Funding Ambassador

Attached Documents:

Research brief – EU Funding Ambassadors

EBC(4)–08–16 (p.2) Evidence from the EU Funding Ambassadors



4 Papers to note

4.1 Assisting Young People into Work

(Pages 47 – 48)

Attached Documents:

EBC(4)–08–16 (p.3) Letter from the Deputy Minister for Skills and Technology regarding Assisting Young People into Work

4.2 Devolution of Business Rates to Wales

(Page 49)

Attached Documents:

EBC(4)–08–16 (p.4) Letter from the Minister for Economy, Science and Transport regarding hardship relief and business rates

4.3 Supplementary Legislative Consent Memorandum on the Enterprise Bill

(Pages 50 – 51)

Attached Documents:

EBC(4)–08–16 (p.5) Letter from the Presiding Officer regarding a Supplementary Legislative Consent Memorandum on the Enterprise Bill

4.4 Pressures facing the steel industry in Wales

(Pages 52 – 57)

Attached Documents:

EBC(4)–08–16 (p.6) Letter to the Secretary of State for Business, Innovation and Skills regarding the steel industry in Wales

EBC(4)–08–16 (p.7) Letter to the Secretary of State for Wales regarding the steel industry in Wales

EBC(4)–08–16 (p.7a) Letter to the Minister for Economy, Science and Transport regarding the steel industry in Wales

4.5 Higher Education Funding

(Pages 58 – 61)

Attached Documents:

EBC(4)-08-16 (p.8) Letter from Christian Brodie to William Graham AM regarding the Students Loans Company and the introduction of Postgraduate Loans in Wales

5 Motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting.

6 Discussion on the draft report on the Priorities for the future of Welsh Rail Infrastructure

(11.30-11.55)

(Pages 62 – 120)

Attached Documents:

Draft report on the Priorities for the future of Welsh Rail Infrastructure

Private de-brief (11.55 – 12.00)

Agenda Item 2

Document is Restricted

STANDING UP FOR RURAL BUSINESSES

**PRESERVE OUR
HERITAGE**

**FEED THE
NATION**

**INVEST FOR
THE LONG TERM**

**DELIVER
FOR THE
ENVIRONMENT**

CREATE JOBS

INNOVATE

**MANAGE OUR
LANDSCAPES**

**PROVIDE
HOMES
AND BUILD
COMMUNITIES**



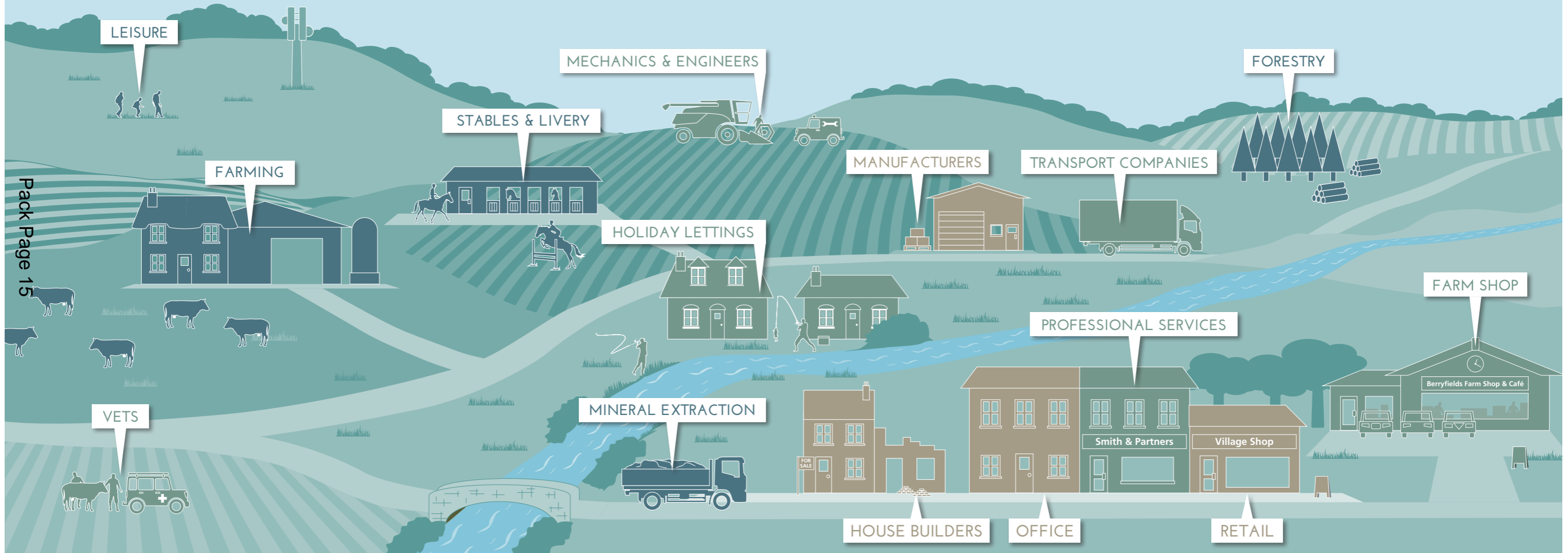
UNDERSTANDING RURAL BUSINESS

DEFINITION OF RURAL BUSINESS

In seeking to understand the size and impact of rural business it is important to set out a definition. Businesses in rural areas fall into three distinct types.

THE THREE TYPES OF RURAL BUSINESS:

- LAND BASED RURAL BUSINESS
- LAND RELATED RURAL BUSINESS
- OTHER BUSINESS LOCATED IN RURAL AREAS



Pack Page 15

NUMBER OF RURAL BUSINESSES

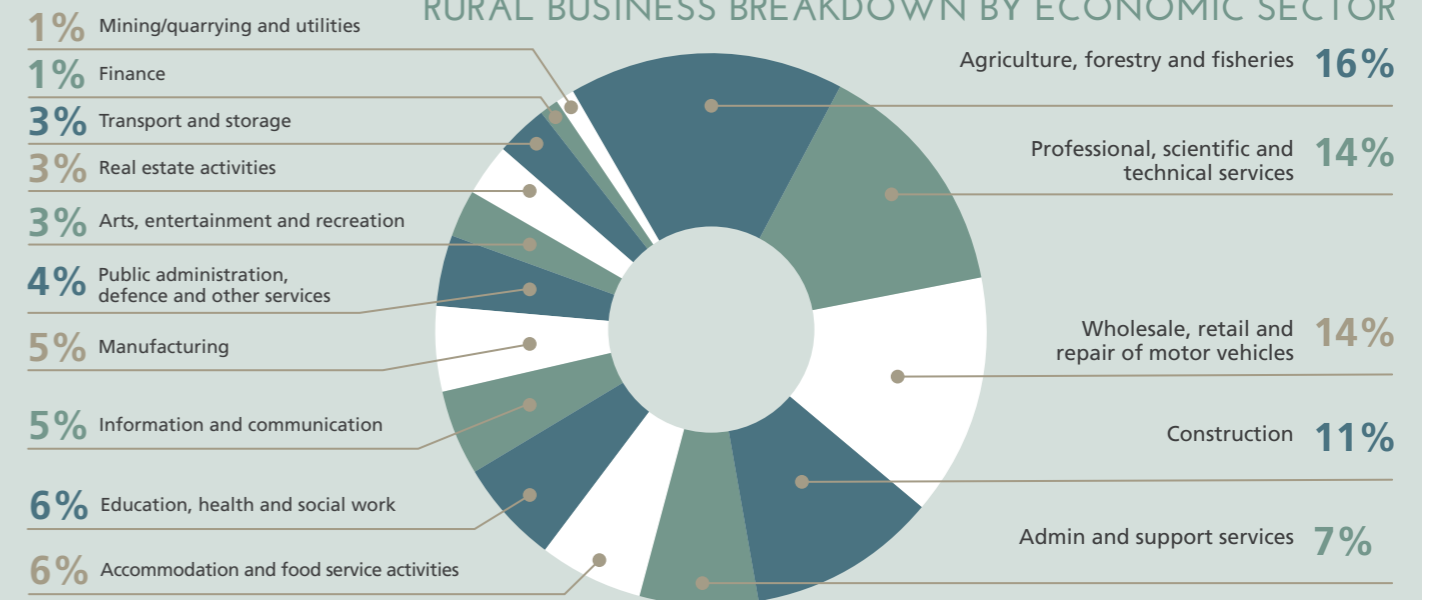


541,330
Total number of rural businesses in ENGLAND



104,730
Total number of rural businesses in WALES

RURAL BUSINESS BREAKDOWN BY ECONOMIC SECTOR



SUPPORTING RURAL BUSINESS

THE FOUR OPPORTUNITIES FOR RURAL GROWTH:

1 UNIVERSAL SERVICE FOR BROADBAND AND MOBILE

→ In rural areas 1.5 million, or nearly 50%, of rural premises are connected by lines that are unable to receive speeds higher than 10Mbps and one in five rural premises are unable to receive speeds higher than 5Mbps.



→ In a rural area only 31% of people can expect to get 'all networks' mobile coverage indoors. This compares to 91% in urban areas.



Poor connections are the single biggest barrier to rural businesses achieving their potential.

Government must stand up to the powerful interests in the broadband and mobile industry. It is these companies posting large profits, often whilst receiving large amounts of taxpayer money, that have missed targets time and again. Too frequently they offer excuses rather than action in connecting our countryside. It is time to deliver.

The pace of change means that the solutions to the connections problem of the future may not be met by the technologies of today. Investment must be directed to alternative and emerging technologies such as satellite and mobile broadband. We need a regulatory and funding framework that will adapt to fast paced change.

We must empower communities that are taking the matter in their own hands. Across rural communities groups and businesses are making their own investments in getting connected. Often it is these schemes that are driving forward the innovation we need to overcome technical barriers. This investment must be

embraced and accommodated. Where communities take the initiative they must not be penalised. Where they make direct investments they should be able to access match funding or other incentives.

The Prime Minister has listened to our call and set out a commitment to a Universal Service Obligation of a least 10 megabits per second by 2020. Work is underway in defining what this commitment means in practice.

The CLA will make the case for this Universal Service Obligation to mean that every home and business has a legal right to be connected. If this commitment is not met, a home, business or community can claim compensation that could be used to pay for them to achieve a different means to get connected.

This Universal Service Obligation is transformational and must be delivered for broadband. We will press for similar concrete commitments on mobile coverage.

CASE STUDY FELL END, CUMBRIA BUILD AND BENEFIT BROADBAND

Fell End Broadband is a community 'build and benefit' fibre to the home broadband network connecting 58 deeply rural properties in the parish of Ravenstonedale (South East Cumbria). The project delivered a 15km fibre network across some of the most challenging terrain in England. Described by BT as 'epic' the network is capable of speeds of 300Mbps.

The project was led and managed by community volunteers with assistance from Ravenstonedale Parish Council as the accountable body. The project cost a total of £88,000 all of which was civil engineering work paid directly to the contractor. The project was funded by a partnership of the Princes Countryside

Fund, Rural Community Broadband Fund (RCBF), Holhird Trust, TalkTalk Digital Heroes and community contributions.

CLA Rural Adviser and community leader Libby Batemen said: "Fell End Broadband was never just about connecting 58 properties to superfast broadband. It was about the art of the possible and testing a process that could be replicated."

"The lessons learned from the project have inspired BT Openreach to launch a Community Fibre Partnership offer which is inviting communities to engage with BT Openreach and work in partnership to bring Superfast Broadband to their area."



Our ambition for our rural areas is no different to the rest of the economy. We want to see investment unlocked, to achieve greater productivity driving growth, the creation of jobs and an improved standard of living across our rural communities. However, the opportunities are different and we need specific solutions in four priority areas.

Ross Murray, CLA President

2 A PLANNING SYSTEM THAT UNLOCKS INVESTMENT

49% of applications to convert redundant farm buildings into much needed rural homes are refused



Rural areas are different. The beauty of the landscape, the living environment and the heritage of the buildings and communities are a national asset. Rural businesses have a symbiotic relationship with our countryside and they know that to be maintained our countryside must be invested in. This requires economic growth and our communities have to evolve and change to be sustained.

Rural businesses invest in our rural communities. The planning system must provide the certainty that gives businesses the confidence to invest. This means having a clear forward vision for the economic development of an area, embodied in an up to date Local Plan.

It also means taking a positive approach to development for existing buildings like farm buildings that are no longer used for their original purpose; and above all taking a constructive approach to engagement that seeks solutions rather than erecting barriers to growth and change.

The National Planning Policy Framework (NPPF) in place since 2012 in England is a major breakthrough in simplifying the planning system. It enshrined the important principle of the presumption in favour of sustainable development

and sets clear policy on supporting a prosperous rural economy. However seven years later there remains resistance to change. Too many areas still do not have up to date Local Plans and innovations such as permitted development rights for conversion of agricultural buildings still face opposition from planning authorities.

We will work with Welsh Government to review Planning Policy Wales to ensure that in rural areas the needs of sustainable development are fully embedded in plan making and decision making.

In every area delivering a well thought through Local Plan is the key to unlocking investment and all efforts must be focused on putting this in place. We have reached the point that where a local planning authority has not yet delivered this, they must be forced to do so.

Where there is no Plan or there are development opportunities not foreseen in the Plan, planners must be pro-growth and seek out ways to say yes, only stopping change and stymieing investment where absolutely necessary.

CASE STUDY TIM BREITMEYER, CAMBRIDGESHIRE

CLA Deputy President Tim Breitmeyer converted a redundant agricultural building on his estate in Cambridgeshire into a home which is now occupied by a local farming family.

The ability of being able to convert out-of-use properties in a rural areas crying out for housing is a vital step to ensuring sustainable development in some of our most rural communities. It gives a family a place to live, close to their work, and brings much needed incomes into the local economy. The new home uses a geothermal heating system, creating an eco-friendly home and keeping energy bills low for the family that lives there.

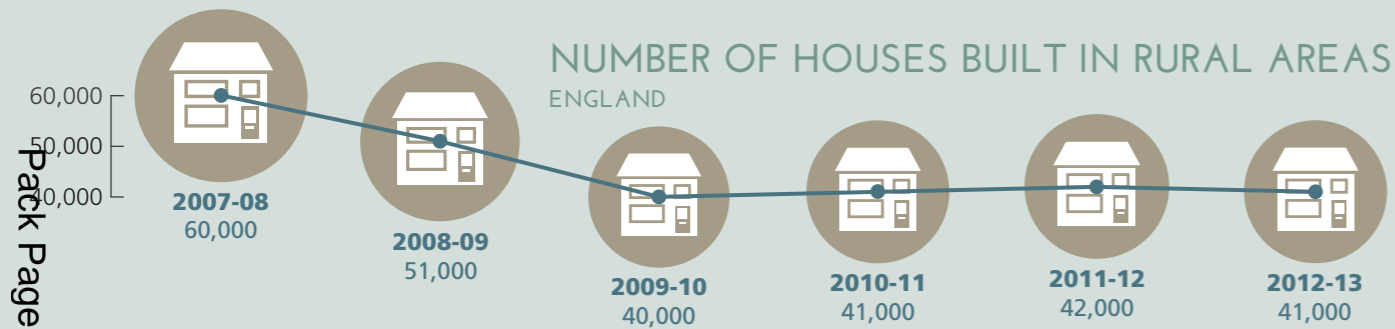
Speaking about the development, Tim Breitmeyer said "The ability to be able to convert a redundant agricultural farm building into a house for a family or employee is vital for the provision of homes in rural areas. There are people in the community that needed their own place to live and enjoy the countryside. I had a building that was no longer needed on the farm. It was a win, win decision and will benefit the village."

The building of this home was made possible because of permitted development rights created out of changes to planning law secured by the CLA.

SUPPORTING RURAL BUSINESS

THE FOUR OPPORTUNITIES FOR RURAL GROWTH:

3 SOLVING THE HOUSING CRISIS IN RURAL AREAS



OVER ONE MILLION PRIVATELY RENTED PROPERTIES IN RURAL ENGLAND AND WALES (2011 CENSUS)

	Social rented	Private rented	Social and private rented
ENGLAND	421,785	485,317	907,102
WALES	54,860	53,761	108,621

There are thousands of Rural Businesses providing homes across England and Wales. Thousands more rely on homes being available to attract the workers and customers they need to sustain their business. The entrepreneurs that are building or managing homes bring direct investment and jobs in to our rural communities. We must acknowledge the positive economic and social contribution of thousands of landlords across rural England. Rural businesses have a critical role to play in solving the housing crisis. They must be provided with national and local policy that allows them to do their job.

This crisis is more than an economic problem. The loss of people from our rural communities removes employment, skills and customers. We need a range of new homes, including affordable homes, if we are to retain and attract new people and ensure our rural communities are sustained.

We must also look at innovative solutions to delivering affordable housing. Unlocking the potential of private investment is vital to solving the housing crisis. We will continue to argue for flexibility to allow rural business owners to deliver and manage their own affordable housing, if they choose.

A new approach to planning must embrace the potential that there is housing need through converting disused buildings and small scale housing development. The way businesses in the private rented sector are regulated must be proportionate and sensitive to the specific circumstances of rural areas.

CASE STUDY LORD STAFFORD, SWYNNERTON

Beswick Green, in the heart of Swynnerton, has 22 properties with a variety of sizes and designs ranging from two to six bedrooms. The development has been carefully designed to fit in with the look of the village.

The project is the brainchild of Lord Stafford and has been named after long-serving member of staff on the family estate, Bert Beswick, 82, who officially opened it at a recent ceremony.

All the properties are being let by the estate with rents starting at £650 per calendar month. Four are designated as 'affordable housing', with a reduced rent for qualifying residents of the village.

Using eco-friendly technology each house has bore holes sunk down to 90 metres to tap into ground heat which is used to warm the properties.

4 AN EFFECTIVE FRAMEWORK FOR ECONOMIC DEVELOPMENT

Creating the conditions for growth in rural areas requires careful planning. Investment potential can be harnessed through careful infrastructure planning, smart investments in growth initiatives and making adequate provision for business support and skills training. This will be made possible by focused effort of national and local government working in partnership with businesses.

Significant expectation is being placed on the potential of devolved settlements ranging from the devolution of greater powers to the Welsh Assembly to the Northern Powerhouse and the Devolution Deal for Cornwall. Rural businesses will approach this reorganisation with an open mind, but the distinct needs of the rural economy must be considered in the design of devolved settlements and the risks of displacement and underinvestment must be avoided at all costs.

Direct investment is being made in our rural economy. Schemes such as the Rural Development Programme for England (RDPE), the Wales Rural Development Programme and the European

Structural and Investment Fund (ESIF) are drivers of growth. At a time of significant reduction in public sector spending the potential of every penny must be targeted for maximum benefit. These programmes delivered through new devolved authorities or through Local Enterprise Partnerships have to have the interests of rural business at their core.

As devolution agreements are put in place around the country, the needs of rural business and rural communities must be a central consideration. Rural business should be represented in governance of all devolved or local enterprise partnership structures.

Priority must be given to effective distribution of investment funds into infrastructure that makes rural businesses more accessible (especially broadband and mobile), providing skills and training for new and established businesses, and providing marketing support for vitally important industries like English and Welsh tourism.

CASE STUDY STANDING UP FOR RURAL BUSINESS IN WALES

CLA Cymru is making the case for rural business to decision-makers across Wales. Through to the Assembly elections in May and beyond, the CLA will be calling on the Welsh Government to adopt a coherent vision for the rural economy, bringing together piecemeal funding schemes, ending the practice of developing policy in silos, and ensuring the needs of rural communities are addressed in all policy development.

The CLA has championed the commitments enshrined in the Well-Being of Future Generations Act. It is rural business across Wales that will deliver the economic investment, create the jobs and manage our landscapes to ensure that rural Wales thrives now and for future generations.

We will continue to champion:

- The effective delivery of broadband and mobile coverage to our rural communities across Wales.
- Delivery of planning policy that encourages people to invest in new and existing homes, businesses and infrastructure.
- A proportionate and well targeted regulatory framework for businesses providing homes for rent in rural communities across Wales.
- Effective and efficient use of rural development funds to ensure it delivers the growth we need.

CASE STUDY CORNWALL DEVOLUTION DEAL

In July 2015, Cornwall became the first rural authority to agree a devolution deal with Government.

The deal was a first of its kind an applied at county level rather than local authority, bringing the Council and the Local Enterprise Partnership together. It granted more powers to Cornwall and means more than £5bn of government funding to manage in the areas of transport, health and social care, property and European funding.

The Council and LEP are working together to try and address the specific needs of those in rural areas and one of their first projects has been the creation of a Growth Hub which will offer business support, highlight funding opportunities and skills provision to help rural businesses get and share best practice.

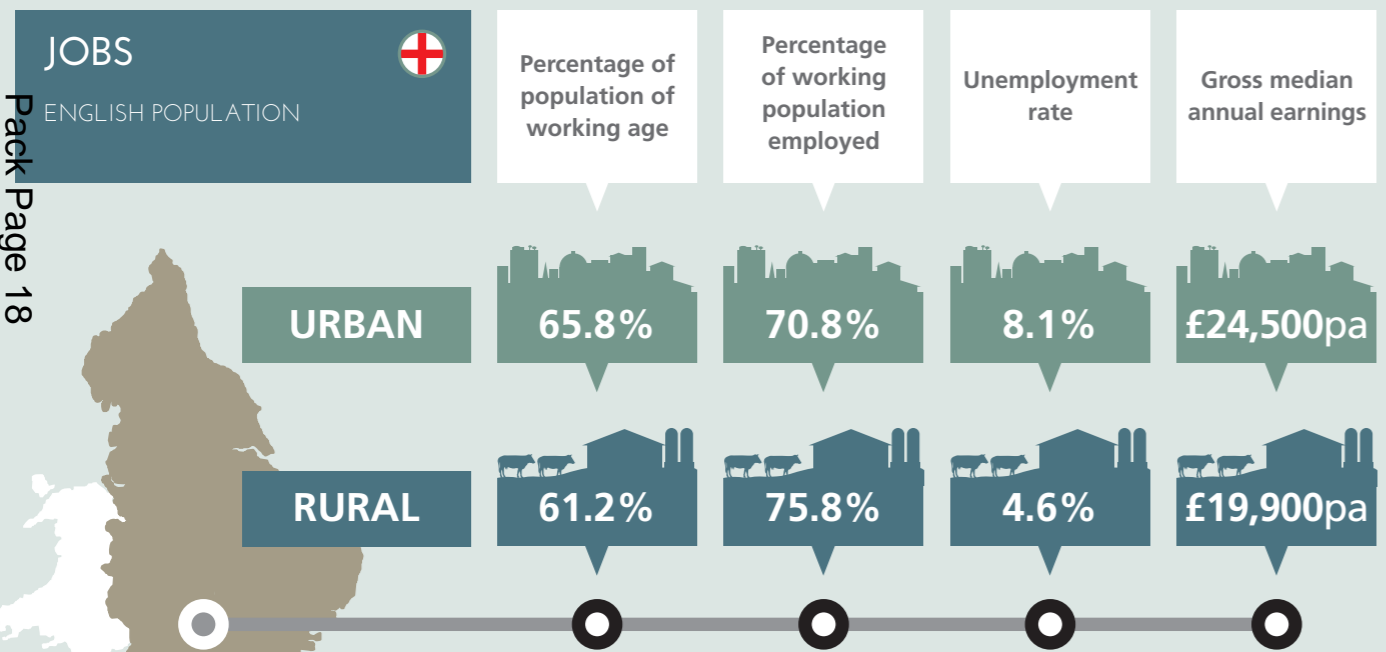
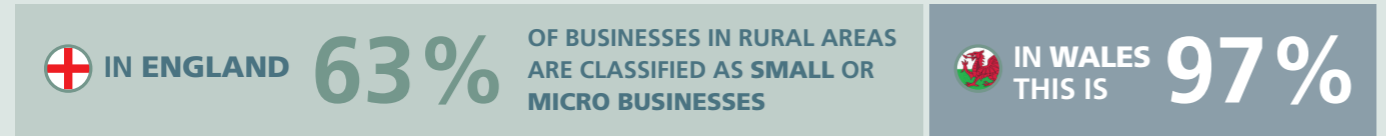
The government says the devolution deal will:

- Give Cornwall Council powers for franchising and improving local bus services.
- Help Cornwall and the Isles of Scilly councils create a plan to bring health and social care services together.
- Enable the council to choose what projects will see millions of pounds of investment.
- Give the Cornwall and Isles of Scilly Local Enterprise Partnership (LEP) more input on boosting local skills.
- Make it easier for the LEP to integrate national and local services to help local firms grow.

IMPACT OF RURAL BUSINESS

600,000 BUSINESSES → EMPLOYING **3.4 MILLION** PEOPLE

THE NUMBER OF PEOPLE EMPLOYED IN THE ENGLISH AND WELSH RURAL ECONOMIES



KEY POINTS

The working population in rural areas is different in size and make up to urban areas. Nearly **40%** of the rural population is not of working age, compared to **34%** in towns and cities. A markedly higher percentage of the working age population is employed and the unemployment rate is significantly lower. Earnings levels are also significantly lower in rural areas.

Pack Page 18

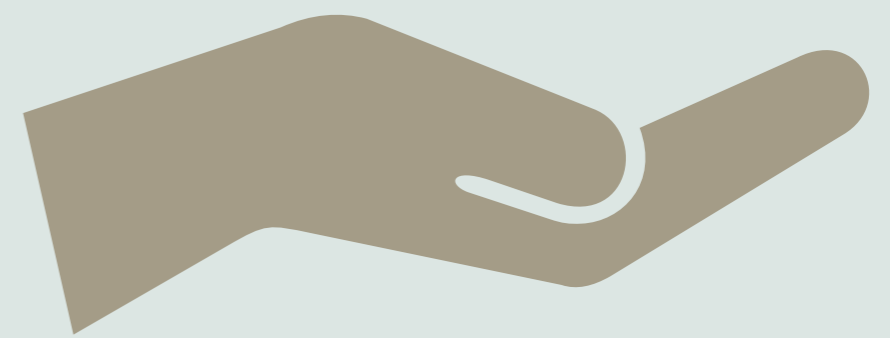
ABOUT THE CLA

The CLA (Country Land and Business Association) is the membership organisation for landowners, farmers and other rural businesses. We have over 33,000 members, together our members own around half of the rural land in England and Wales.

We represent diverse and successful businesses located at the heart of rural communities.

We help landowners work in the best interest of the land, wildlife and the environment.

Our purpose is to ensure that our members have the security, certainty and support they need to make investments in their land and business.



REFERENCES:

- Pages 4 & 5 – Statistics are taken from the Department for Environment, Food and Rural Affairs publication *Statistical Digest of Rural England – November 2015 Edition*. Data for businesses in rural Wales is not available to the same extent or in the same form as for England so these numbers are not a direct comparison to the number for England. The statistical data was sourced via the Stats Wales portal, available at statswales.wales.gov.uk. To identify the rural statistics CLA used the Welsh Government official Local Authority groupings which classify the following as rural Local Authorities – Isle of Anglesey; Gwynedd; Conwy; Denbighshire; Powys; Ceredigion; Pembrokeshire; Carmarthenshire; Monmouthshire. The resulting statistics included in the document were reached in consultation with Welsh Government statisticians.
- Page 6 – The broadband and mobile phone coverage statistics are taken from the Connected Nations 2015 Report by Ofcom, published 1st December 2015.
- Page 7 – The Permitted Development Rights statistics on agricultural to residential use conversions are published by the Department for Communities and Local Government as part of the live planning tables statistical data set, specifically *Table PDR 2: district planning authorities – applications for prior approvals for permitted developments, England*.
- Page 8 – The data on private rented homes is taken from the 2011 Census data acquired through the Nomis portal of the ONS, available at www.nomisweb.co.uk. The housing completions statistics are taken from the table *Permanent dwellings completed, by tenure and Local Authority Classification, in England, 2004/05 to 2012/13* on page 82 of the *Statistical Digest of Rural England – November 2015 Edition*.
- Page 10 – With regard to rural businesses and employment in England are sourced from the *Statistical Digest of Rural England – November 2015 Edition*. The data for Wales was ascertained using the same method as referred to on the reference for page 4.

LEAVE OR REMAIN:

THE DECISIONS THAT POLITICIANS MUST MAKE TO SUPPORT THE RURAL ECONOMY



DIRECT SUPPORT



REGULATION



TRADE



LABOUR MARKET

THE IMPORTANCE OF THE RURAL ECONOMY

The rural economy has been shaped by the agricultural and environmental policies of the EU. Any change to the UK's relationship with the EU has an impact on the rural economy and the way we manage our environment and landscapes. Here is a summary of some of the key facts about the size and scale of the UK rural economy and the contribution it makes:

Pack Page 29

CONTRIBUTING **£229 BILLION** IN GROSS VALUE ADDED TO THE NATIONAL ECONOMY (England only)

650,000 BUSINESSES → EMPLOYING **3.4 MILLION PEOPLE** IN ENGLAND AND WALES

PROVIDING HIGH QUALITY MANAGEMENT OF THE RURAL ENVIRONMENT AND HERITAGE WITH... **6.5 MILLION HECTARES** OF FARMLAND IN ENGLAND IN ENVIRONMENTAL MANAGEMENT

OVER **£100 BILLION** CONTRIBUTION TO THE UK ECONOMY FROM THE WIDER FOOD CHAIN

CONTENTS

- PAGE 6** THE REFERENDUM DECISION
This chapter summarises the arguments of the two campaigns on the four rural issues.
- PAGE 8** UNDERSTANDING 'BREXIT'
Sets out the four models that are commonly referred to when talking about the relationship the UK could have with the EU outside of EU membership and the key facts about how these arrangements work.
- PAGE 10** HOW THE EU SUPPORTS RURAL BUSINESSES, COMMUNITIES AND THE ENVIRONMENT
Explains how the support currently provided via the EU in direct payments benefits the wider rural economy.
- PAGE 12** WHY SUPPORT MATTERS - ECONOMY
Highlights how the support currently received translates into economic benefits for the UK.
- PAGE 14** WHY SUPPORT MATTERS - ENVIRONMENTAL AND SOCIAL ISSUES
Shows how the support currently received translates into environmental goods and social benefits for rural communities.
- PAGE 16** THE DECISION TIMELINE
Shows what decisions ministers must make and when they must be made.

INTRODUCTION FROM OUR PRESIDENT

The importance of the decision facing the British public on the 23rd June in the referendum on the UK's membership of the European Union (EU) cannot be overstated. The economic and political structures of the UK are intertwined with the EU and this is particularly the case for those that live and work in the countryside. The EU is an important market for our products; it provides vital direct financial support to farmers and land managers; and workers from the EU are critical to our agricultural labour force. For more than 40 years the EU has provided the regulatory framework that governs the environment, trading relationships and the way business operates, and is the basis of significant investment decisions.

Leave campaigners are asking voters to embrace "the chance of a generation" for the UK to free itself from an outdated institution that faces fundamental crises and is increasingly unable to help UK business exploit opportunities in global markets. Remain campaigners stress the importance of the EU as a stabilising entity in an uncertain world and that the UK has the opportunity to shape the EU's future. We summarise the arguments of both sides on pages 6 & 7.

This report does not seek to suggest how our members should vote in the referendum. However it will serve to ensure that those leading the debate on both sides are challenged with the right questions about how the rural economy will be sustained in the future whether we leave or remain. To campaign or govern without giving answers to these questions undermines confidence and gives concern as to the future security of the rural economy.

Any future decision to significantly reduce direct economic support to the rural economy could lead to a reduction in private sector investment, lower tax revenues and loss of jobs. The report also stresses the vital role of current EU programmes in making it possible for farmers, land managers and rural businesses to undertake activities that deliver environmental goods and outcomes that we all benefit from. These programmes or equivalent measures, which would benefit from reforms that the CLA has consistently advocated, must continue whether the UK is inside or outside the EU.

Above all, this report lays bare the uncertainty that all those businesses in the rural and associated sectors are faced with as we head towards a historic moment in determining the UK's future. It poses the critical question for ministers in both England and Wales about whether they are prepared for all eventualities. It also provides our members with information on the processes and decisions leading up to the referendum and what might happen afterwards.

ROSS MURRAY
CLA PRESIDENT



The CLA (Country Land and Business Association) is the membership organisation for landowners, farmers and other rural businesses.

UNDERSTANDING THE ISSUES

THIS REPORT HAS TWO OBJECTIVES



To help landowners and other rural businesses understand the issues associated with the debate around the referendum on EU membership and the options for Brexit.



To set out the decisions our political leaders must make to ensure we continue to support the rural economy and deliver investment in our environment, landscape and rural communities whether we leave or remain in the EU.

THE FOUR PRINCIPAL ISSUES FOR THE RURAL ECONOMY

The issues related to UK membership of the EU are many and complex. This report focuses on the four core themes that together make up the main 'EU issues' relevant specifically to rural business and the wider rural economy.

1 DIRECT SUPPORT - AGRICULTURAL SECTOR



No country outside of the EU is a member of the EU Common Agricultural Policy (CAP). The CAP provides direct support to farmers and indirect support to the wider food chain. It also supports farmers to undertake environmental and landscape work. In 2014 UK farmers received 54% of their income via direct support.

There are widely different views on whether the CAP should exist at all or if it requires fundamental reform. These divergent views are present in both the leave and remain campaigns.

However few countries in the developed world have no funded support system in place although they vary significantly in size and composition.

3 REGULATION



The CLA undertook an audit of the regulations that affect landowners and rural businesses in May 2015. The details are available here: www.cla.org.uk/eureport

It shows that a number of factors impact on how rural businesses are regulated, for example environmental laws are often based on global agreements that would still apply to the UK; and any trade agreement the UK struck with the EU would require compliance with EU standards in many areas.

The main conclusion of the CLA audit is that any benefits from the UK leaving the EU would not be immediate. The most likely outcome of a vote to leave the EU would be the transposition of most EU regulations into UK law and any change would be incremental and over the long term.

2 TRADE



The EU is a major market place for the products of our rural economy with 62% of UK agri-food exports exported within the EU in 2013. The UK is also a vital trading market for the EU with 70% of the UK's agri-food imports coming from the EU in 2013.

The UK trade relationship with the EU is far from perfect, negotiations have taken place since the first day the EU was established and will continue for as long as it exists.

Most campaigners agree that in the event of the UK leaving the EU, the UK and the EU would want to secure some form of substantial trade agreement. Whether this new relationship would be better or worse for UK business is one of the main issues in the referendum debate.

4 LABOUR MARKET



In the first quarter of 2015 there were 1.9 million citizens from other EU countries employed in the UK labour market. In 2014 the net inflow of EU Migrants into the UK labour force was 268,000 and is an increasing trend.

Ending the free movement of people within the EU is seen as a red line issue for many in the Leave campaign. However even strident critics of free movement tend to concede that some form of 'seasonal worker' scheme may be necessary for the agricultural sector.

THE RENEGOTIATION

In February 2016 the Prime Minister concluded a process of renegotiation on the terms of UK membership of the EU. Issues related to rural economy and agriculture did not feature significantly within the deal agreed by EU and

UK Ministers. There was no specific reference to issues related to UK involvement in the Common Agricultural Policy or discussions of specific regulations or directives that impact on rural business or land management.

THE RENEGOTIATION DEAL IN SUMMARY:

- **Economic governance** – measures include, an agreement that no UK company should be discriminated against because they are not part of the Eurozone, and no requirement on UK to participate in bail outs of Eurozone countries;
- **Competitiveness** – an agreement to reduce EU regulation in key sectors especially where it impacts on small businesses, a commitment to extend the single market and pursue trade deals that open up new markets for EU based companies;

- **Sovereignty** – exclusion of the UK from commitment to 'ever closer Union', a new system whereby national Parliaments can combine to block unwanted EU legislation;
- **Welfare and free movement** – an 'emergency brake' allowing the UK to limit access to 'in-work benefits' for up to 4 years. This emergency brake can be put in place for a maximum of seven years at a time.

The UK Government summary of the agreement is available at www.cla.org.uk/EUresearch

WHAT HAPPENS IF WE VOTE TO LEAVE?

There is no precedent for a member state leaving the EU. However the rules on exiting the EU were set out in the Treaty of Lisbon as follows:

- Once the UK gives formal notice to leave it has two years in which to negotiate a reformed relationship unless there is unanimous agreement to extend the negotiation process. Failure to extend or agree a deal within two years would mean the UK leaving with no deal in place.
- The two year notice period could be extended but only by unanimous agreement of the EU Council.

The EU Budget has been agreed through to the end of 2020. Core programmes, such as funding for the Common Agricultural Policy, operate within the same timeframe. Politicians may agree that a UK exit in 2020 would remove layers of complexity and be the most logical. However achieving unanimous support to change the negotiation period in the Council would not be straight forward.

- The UK voting to leave is not formal notice – this can only be given by the Prime Minister.

The UK Government could delay giving formal notice to leave until 2018 as a way to extend the negotiation period. However this is likely to be politically unpopular.

- The UK would remain a member of the EU through to the agreed exit date but would not have a vote on whether the EU accepts any new agreement with the UK and would not participate in discussions on its withdrawal.

- A vote to leave would apply to all parts of the UK. Speculation about what would happen in terms of a vote to leave the EU triggering a new referendum on Scottish independence is based on political rather than constitutional dynamics. After exit the UK Government will have to establish clarity on which decisions would be made at the UK level and which would be a matter for the devolved Governments in Wales, Scotland and Northern Ireland.

THE REFERENDUM DECISION

INTRODUCING THE TWO CAMPAIGNS



As the referendum moves closer the two 'campaigns' are setting out their case to voters. Below the CLA sets out a summary of the position put forward by both campaigns focused on the four principal issues relevant to the rural landowners and other businesses – trade, financial support provided under the Common Agricultural Policy, freedom of movement and the burden of regulation.

LEAVE

1 DIRECT SUPPORT - AGRICULTURAL SECTOR

Pack Page 23



Leave campaigners argue that it's better for directly elected UK ministers to make decisions on what to do with public money. They also argue that the Common Agricultural Policy (CAP) is inefficient and burdensome on UK farmers and that the UK could make better decisions on how to support farmers, pay for environmental services and otherwise invest in rural economy. However there are differing opinions on how much a policy of direct financial support, like the CAP, is necessary or beneficial.

Former Secretary of State for Environment, Food & Rural Affairs and prominent leave campaigner the Rt Hon Owen Paterson MP speaking at the 2016 Oxford Farming Conference set out reassurances: *"The EU currently contributes £2.9 billion to the UK via the CAP and related subsidies. Yet, the UK's estimated net contribution to the EU budget is more than three times that figure at £9.8 billion. If appropriate, a sovereign UK Government, no longer constrained by EU rules, could actually increase rural payments."*

However, the prominent 'Business for Britain' campaign group highlights the opportunity for a rethink and reduction in a system of agricultural support payments: *"The UK could instead step away from protectionism and gradually adopt a less subsidised model, or a more focused and targeted form of subsidy dependent on rural and farming needs, with the objective of making food much more affordable to families and UK farming globally competitive."*

2 TRADE



Freeing the UK to establish its own trade relationships in the world and to take a seat in its own right on international bodies and in global trade negotiations is set out as one of the main advantages for the UK outside of the EU.

Leave campaigners argue that the UK is the EU's largest market and that referendum voters should be confident that the UK will reach a trade agreement that is as good if not better than our current trade relationship as an EU member (see pages 8 & 9 for more details). They also suggest that the UK would be able to negotiate new and better bilateral trade agreements with countries outside of the EU, starting with replacing existing agreements other nations have with the EU and then moving on to new trade partners.

3 REGULATION



The leave campaigners are heavily critical of the burden of EU rules holding back UK business. A good example is the following extract from the UKIP 2015 General Election Manifesto:

"While we will abolish excessive and unnecessary regulations and directives, keeping those necessary to protect our environment, or replacing them with more appropriate controls, administered at national or local government level, will be a priority for us. We will take as our guide in these and all other farming matters relevant scientific and/or professional veterinary advice."

4 LABOUR MARKET



Taking control of the UK's borders and ending freedom of movement for EU citizens entering the UK is seen as one of the main advantages of leaving the EU

'Business for Britain' suggests that a UK Government could establish a specific labour market exemption for seasonal agricultural workers. They say: *"This could perhaps copy the Seasonal Agricultural Workers Scheme (SAWS), which covered seasonal workers from Romania and Bulgaria fruit-picking in the UK before those workers gained full free movement rights in 2014."*

Farming Minister George Eustice has declared his support for Leave citing frustration with compliance with common agricultural policy rules. Writing in Daily Telegraph he said: *"the reality of working within EU law is that trying to do the simplest of things becomes curiously complicated and often impossible."* He argues that risks of fines, called disallowance, prevent DEFRA from implementing CAP rules in a way that suits UK agriculture.

i MORE INFORMATION

For more information on the leave campaigns visit:
www.voteleavetakecontrol.org
www.grassrootsout.org
www.leave.eu

REMAIN

1 DIRECT SUPPORT - AGRICULTURAL SECTOR



At the 2016 Oxford Farming Conference EU Agriculture Commissioner Hogan set out the case for the current CAP: *"I remain adamant that the stability brought by the CAP has provided, and is providing, the foundation for economic growth and jobs in rural areas and all along the food chain. In particular, the policy is vital to farmers."*

He also sought to reassure farmers about the CAP being burdensome and inefficient: *"It is in the nature of things that new legislation is more complicated than it needs to be, and, for everybody's benefit, we need to make things simpler. This is one of my main objectives over the next few years – reducing administrative burdens while making sure that all interests are defended."*

It is important to note that there are strong advocates of UK remaining in the EU that would also support radical reform and a significant reduction in the CAP budget.

2 TRADE



Remain campaigners stress the UK's trade links to the EU and argue that the UK is unlikely to secure an advantageous trade agreement that equates to existing single market access. This is especially the case for agricultural produce with the likelihood of high trade costs resulting from customs controls and possible import tariffs.

EU Agriculture Commissioner Phil Hogan recently disagreed with claims by the leave campaigners that the UK would take a seat on global trade talks outside the EU. He cited the December 2015 'Nairobi Trade Talks' on removing export subsidies. He said, that whilst all countries took part in initial discussions, *"an endgame emerges – five players at the table in a small, poky room. The United States, China, Brazil, India and the European Union... No Japan – population 120m and a one trillion pound economy; no Canada, no Australia, no Turkey, no Switzerland, no Norway...no anyone else."*

3 REGULATION



The remain campaign argument focuses on the extent to which countries like Norway and Switzerland are either directly bound by EU law as a result of the terms of their trade agreements, or they choose to mirror EU laws in order to ensure their businesses operate on a level playing field. They also stress the extent to which regulations in areas like environmental policy tend to be based in international agreements that would still apply to the UK.

The core of their argument is that UK businesses and citizens would be bound by a large percentage of EU law but have no representation in ministerial negotiations or votes in the EU Parliament.

Secretary of State for Environment, Food and Rural Affairs, Liz Truss has set out the case for Remain, she said: *"I believe that by voting to remain we can work within a reformed EU to reduce bureaucracy and secure further reform, while still enjoying the benefits of the single market."*

4 LABOUR MARKET



Remain campaigners tend to acknowledge significant public concern about the scale of immigration into the UK from the EU. Imposing restrictions on freedom of movement, primarily linked to qualifications for 'in-work' benefits, has formed a central part of the Prime Minister's renegotiation.

Remain campaigners also stress the extent to which the EU could make continuing freedom of movement a condition of a new trade agreement with the UK. Switzerland, for example, despite a recent referendum in favour of imposing immigration quotas is seeking a resolution with the EU that allows them to continue to be bound by the freedom of movement terms they signed up to under the European Free Trade Association (EFTA).

i MORE INFORMATION

For more information on the remain campaigns visit:
www.strongerin.co.uk
www.labour.org.uk/index.php/inforbritain
www.conservatives.in

UNDERSTANDING 'BREXIT'

WHAT TYPE OF EU RELATIONSHIP?



Politicians and other campaigners often talk about different ways in which the UK outside the EU could establish a new trade relationship with the EU, provide support to farmers, manage its borders and labour market and the extent to which an independent regulatory framework could be established. This chapter summarises the four most common models that are highlighted as the relationship that the UK could have with the EU as a non member.

NORWEGIAN MODEL

DIRECT SUPPORT - AGRICULTURAL SECTOR

- Agriculture constitutes a relatively small share of GDP (1.5%) and given the climate and topography only a small fraction of the land is suitable for cultivation.
- In 2014 the %PSE was 60%, down from 70% in 1988.
- The National Environment Programme (NEP) includes payments for some environmental measures undertaken by landowners.
- i** For the definition of PSE see the bottom of page 9.

TRADE

- Norway is a member of European Economic Area (EEA). This currently includes the EU states plus Iceland, Liechtenstein and Norway.
- EEA members that are not EU members have unrestricted access to the EU market, except in the case of agriculture.
- EEA members make a significant contribution to the EU Budget, the exact amount is a subject of significant argument between the campaigns. Norway also makes a separate contribution to efforts to reduce social and economic disparities in the European Economic Area.

REGULATION

- EEA members agree to implement all EU laws relating to the EU market.

LABOUR MARKET

- Free movement of people between non EU EEA members and the EU states is a fundamental tenant of the EEA agreement with the EU.

SWISS MODEL

DIRECT SUPPORT - AGRICULTURAL SECTOR

- The share of agriculture in GDP is small at around 1%.
- In 2014 the %PSE was 55% down from 78% in 1988, three times higher than the OECD average of 18%.
- The support system includes payments related to biodiversity, landscape quality and farming practices.

TRADE

- Switzerland is a member of the European Free Trade Association (EFTA) alongside Iceland, Liechtenstein and Norway.
- EFTA has a trading agreement with the EU and 25 other free trade agreements.
- EFTA members contribute to the EU budget, but at a lower rate than under the Norwegian model.
- EFTA members do not have free market access for agricultural products.

REGULATION

- EFTA members agree regulatory compliance with EU law on a case by case basis but nonetheless they adopt the vast majority of regulations related to trade with the EU.

LABOUR MARKET

- Free movement of people between EFTA members and the EU states is a fundamental tenant of the EFTA agreement with the EU.

TURKISH MODEL

DIRECT SUPPORT - AGRICULTURAL SECTOR

- Agriculture is a growing sector and Turkey is a significant agricultural exporter.
- In 2014 the %PSE was 21% up from 20% in 1988.
- Support is provided for land set aside for environmental schemes as part of the 10th development plan (2014-2018). The plan includes the strategic aim of an environmentally friendly agricultural sector.

TRADE

- Turkey has a Customs Union with the EU. This does not cover agricultural products although some concessions are in place.
- They must align laws with EU legislation and court decisions in some but not all areas.
- Turkey has signed Free Trade Agreements with EFTA, Israel, and a range of eastern European and Middle Eastern states.

REGULATION

- As part of the Customs Union agreement, Turkey is committed to removing 'technical barriers to trade' which essentially means ensuring their regulations are consistent with EU.

LABOUR MARKET

- There is no free movement agreement in place between Turkey and the EU.

NEW ZEALAND MODEL

DIRECT SUPPORT - AGRICULTURAL SECTOR

- New Zealand's agricultural sector is focused on exports.
- New Zealand moved to a model of minimal support in the 1980s as part of a wider reform package in response to difficult economic circumstances. In 2014 the %PSE was 1%.
- The Sustainable Farming Fund supports projects aimed at improving the productive and environmental performance of farming while the Resource Management Act promotes the sustainable management of natural and physical resources.

TRADE

- New Zealand is relatively small (€7.9bn) trading partner for the EU. Traditionally New Zealand's exports to the EU are largely dominated by agricultural products.
- In October 2015 New Zealand and the EU agreed to begin 'swift' negotiations to establish a deep and comprehensive high-quality Free Trade Agreement.
- New Zealand has a range of bilateral agreements and they are all different and can include removal of some or all agricultural tariffs.

REGULATION

- New Zealand decides its own regulatory framework, although it has to decide regulation in the context of its bilateral free trade agreements.

LABOUR MARKET

- New Zealand has no free movement rules with any international body. However they attract a high level of net migration 63,700 in the 12 months to November 2015.

Pack Page 24

CLA EXPLAINS: THE SIZE OF THE UK AS AN EU TRADING PARTNER

The UK economy is significantly larger than these four countries. The EU is a vital market for the UK across all sectors and in agriculture (in 2013) 63% of the total agri-food exports went to the EU, while 70% of UK agri-food imports came from the EU. The UK is also a vital market for the EU. If the UK was to leave it would immediately become the single largest export and import market for the EU.

There are two important contexts to a Brexit negotiation – firstly the EU has never negotiated an exit agreement with an existing member before and secondly the size of the trade relationship on both sides is so large. It is therefore likely that any deal agreed would be unprecedented and unique in its characteristics.



DIRECT SUPPORT (DEFINITION OF PSE)

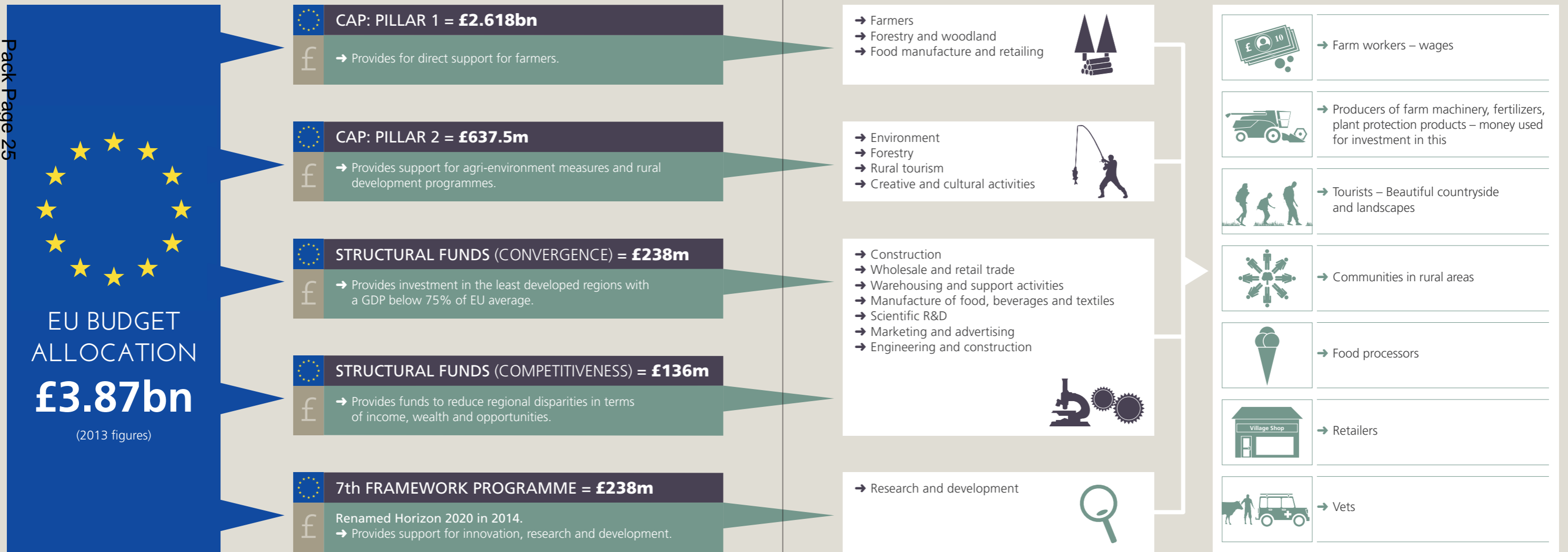
Most developed countries support their farmers, so it is useful to compare how some of them compare with the EU. Every year the Organisation for Economic Co-operation and Development (OECD) reports on the extent of support given by each country. It does so by reference to the level of Producer Support Estimate (PSE) expressed as a proportion of gross farm receipts. The PSE is the total value of support given to agriculture by consumers and taxpayers as a result of government policies. The ratio is generally expressed as a percentage (%PSE).

The OECD average level of support is 18%. The EU has gradually reduced its support to agriculture since the mid-1990s. In 2014 the %PSE was 19% down from 39% in 1988.

HOW THE EU SUPPORTS RURAL BUSINESSES, COMMUNITIES AND THE ENVIRONMENT

The EU allocates funding to the UK through a number of programmes that are agreed by the Member States. This flow chart explains how the money is allocated and the types of businesses or organisations that benefit. The figures in this diagram represent the amount of money allocated under the CAP in 2013.

Pack Page 25



CLA EXPLAINS: COMMON AGRICULTURAL POLICY

The CAP which is subject to significant renegotiation every five years has witnessed three main phases, first it focused on moving Europe from food shortage to surplus; it then sought to meet new challenges linked to sustainability and the environment; and has now expanded to support the role of farmers in rural development beyond just food production. It does attract significant criticism for being overly complex, and as a contributor to inflated consumer prices. While there has been significant improvement in the performance of the CAP in delivering positive environmental outcomes there is more to be done.

The CLA has been an active voice arguing for reform in the past and is already contributing towards discussions regarding the next CAP agreement. There is no expectation that the next CAP agreement will mirror the current framework in either structure, size or objectives and the CLA will continue to make the case for a policy that works. If the UK leaves the EU there are two major policy decisions to be made – the first is will the rural economy continue to receive the current level of support from either the CAP or UK Government through to the end of 2020 to respect the commitments made for the current CAP period (2014-2020)? The second is how will the Governments of the UK develop a structure of support for farming, other rural businesses and the environment?

WHY SUPPORT MATTERS - ECONOMY

CLA EXPLAINS: EU SUPPORT

In 2013 the EU allocated £3.87bn of support for the rural economy in the UK which was 61% of the total budget allocation to the UK. Research conducted for the CLA estimates this support resulted in a £10bn contribution to the UK economy, including more than 350,000 jobs and £3.5 billion in taxation revenue to the Treasury.



The CLA commissioned respected economic consultancy Europe Economics to undertake a modelling analysis to provide estimates of the economic multiplier benefits of the money allocated under the common agricultural policy the UK economy. The Europe Economics report is available at www.cla.org.uk/EUresearch

This research provides an estimate of the direct, indirect and induced benefits using the Leontief Input-Output model commonly applied when measuring whole economy impacts of economic activity. It measures direct, indirect and induced effects.

- Direct effects come from expenditures made by businesses such as farms that are direct beneficiaries of investment funding.
- Indirect effects result from the expenditures made by businesses that supply or perform services for those businesses that receive investment funding.
- Induced effects are expenditures made by people that are employed in the businesses that receive investment at the household level.

These figures are based on the year 2013 which was the final year of payments made under the previous Common Agricultural Policy.

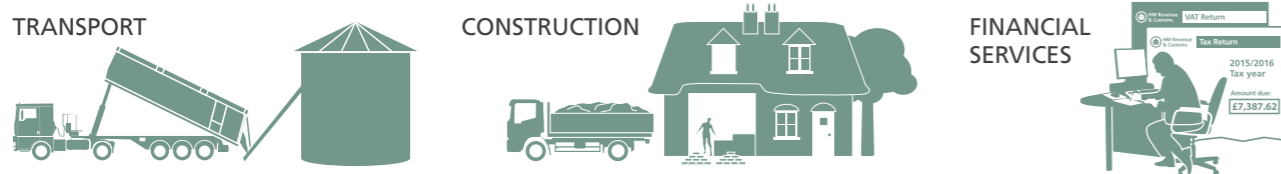
Top 15 sectors where economic impact is experienced	Value added (£m)	Employment (People 000s)
Products of agriculture and related services	598	75,000
Construction	395	12,000
Wholesale and retail trade and repair services of motor vehicles and motorcycles	289	19,000
Wholesale trade services, except of motor vehicles and motorcycles	134	6,000
Financial services, except insurance and pension funding	113	2,000
Scientific research and development services	110	8,000
Services of head offices; management consulting services	78	7,000
Products of forestry, logging and related services	76	8,000
Accommodation services	65	7,000
Food and beverage serving services	52	6,000
Land transport services and transport services via pipelines, excluding rail transport	47	2,000
Computer programming, consultancy and related services	45	2,000
Retail trade services, except of motor vehicles and motorcycles	44	5,000
Alcoholic beverages	42	1,000
Architectural and engineering services; technical testing and analysis services	42	2,000

Pack Page 26

DIRECT EFFECTS



INDIRECT EFFECTS



INDUCED EFFECTS



DIRECT AND INDIRECT EFFECTS

- Increased production of £6.9bn.
- 234,000 jobs.
- £1bn in tax revenue.

INDUCED EFFECTS

- £3bn in added value.
- 116,740 jobs.
- £2.5bn in tax revenue.

TOTAL EFFECTS

- Circa £10bn contribution to GDP.
- 350,740 jobs.
- £3.5 billion in taxation revenue.

WHY SUPPORT MATTERS - ENVIRONMENTAL AND SOCIAL ISSUES



CLA EXPLAINS: WIDER BENEFITS AND PUBLIC VALUE

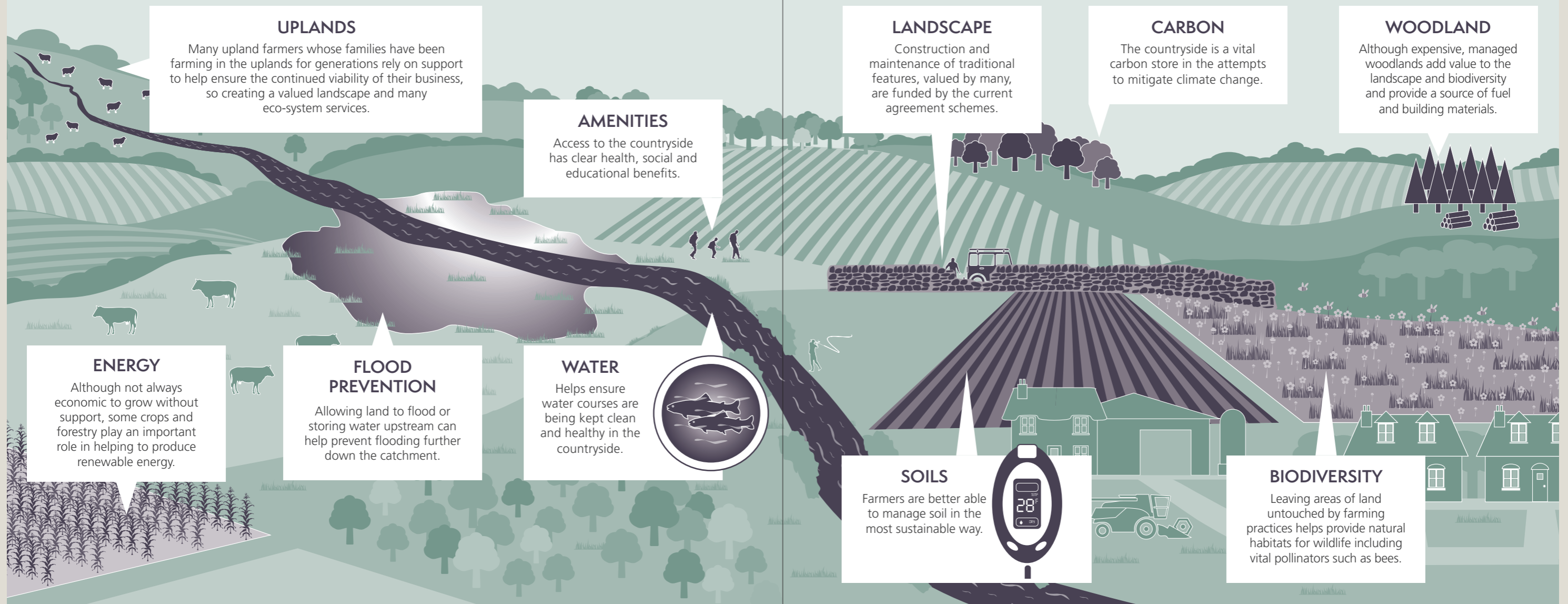
The current support system provided to the rural economy allows landowners and farmers to provide many of the environmental and social benefits that the wider public value, support and expect from the countryside. In 2013 UK farmers were provided with over £630 million of support to help provide these benefits which also provide a range of employment opportunities, for example in tourism, that would otherwise not be available in rural areas.

However, providing these benefits comes at a cost to farmers in time, money and business efficiency. Farmers **cannot and should not** be expected to meet those costs entirely from their own resources. Providing they meet regulatory standards farmers and landowners need to continue to receive this support. Here are some examples of environmental and social benefits currently supported from funds originating from the support given to UK landowners and farmers.

Pack Page 27

None of the issues associated with the wider social and environmental benefits of the CAP are straightforward and require significant debate and discussion. If the UK remains in the EU these debates will continue up to the post 2020 settlement and beyond. If the UK leaves the EU then it is vital that this support continues to be funded.

The CLA will continue to make the case for farmers and landowners to have the reassurance that the sustainable investment required to secure these environmental and social benefits for the long term will continue.



THE DECISION TIMELINE

CLA EXPLAINS: THE RISKS OF UNCERTAINTY

The impact of a reduction in funding for the rural economy regardless of whether we leave or remain within the EU should not be underestimated. There is greater uncertainty over future support for the rural economy in the event the UK chooses to leave the EU. However, what is true of both scenarios is that the longer any uncertainty continues, either through a delay in negotiations around the next CAP or decisions about a new UK based support system, the greater the risks to the rural economy. Any prolonged period of uncertainty or a failure to provide sufficient support will result in:

- Rural businesses failing to invest for fear of what a future scheme will look like.
- Farm businesses closing as farmers decide the uncertainty is not worth the risk of continuing to farm.
- Rural communities declining as the population leave to find work in urban areas.
- The environment suffering as landowners and farmers are unable to undertake much of the environmental management they currently do for fear about the viability of their business.
- Reduced asset values and barriers to accessing finance for many businesses.

Pack Page 28

LEAVE

DECISION
Ministers must confirm that payments to farmers and landowners will continue until the end of the current budget period (2020).

TIMEFRAME
Day after referendum.

WHY THIS IS IMPORTANT
Rural businesses require certainty over the level of funding they will receive to have the confidence to expand and invest in their business. Without this guarantee rural businesses are likely to be less willing to commit to projects or investment for fear of significantly reduced funding affecting the viability of their business.

DECISION
Ministers in Westminster and Cardiff to confirm details of a new 'UK Agricultural Policy' (UKAP) to replace CAP.

TIMEFRAME
By the end of 2018.

WHY THIS IS IMPORTANT
Current funding is split into direct payments and rural development. The UK Government would need to confirm the precise format of any replacement scheme to allow landowners and farmers time to plan any investments they wish to make and ensure environmental schemes under the current scheme can continue without interruption.

DECISION
Chancellor to confirm precise level of funding for UKAP post 2020.

TIMEFRAME
By Budget 2019.

WHY THIS IS IMPORTANT
With the new scheme starting on 1st January 2021 the Chancellor will need to set out the precise amount of funding the new scheme will receive in each of its first five years to provide rural businesses with the certainty about the amount of funding that will be available and allow them to make investment decisions. The Autumn Financial Statement of 2019 is too late.



REMAIN

DECISION
EU Commission to bring forward proposal for a budget and structure for CAP post 2020.

TIMEFRAME
No definitive timeframe is set but it is expected in 2017.

WHY THIS IS IMPORTANT
This proposal will frame the terms of the negotiation that will take place up to the final agreement. If there is to be significant restructuring of the CAP it will be set out in this proposal.

DECISION
The CAP regulations and CAP budget to be agreed by Council of Ministers and EU Parliament.

TIMEFRAME
By the end of the current CAP period (2020).

WHY THIS IS IMPORTANT
The final agreement reached on the budget and structure of the CAP post 2020 will have a significant impact on the ability of farmers and wider rural businesses to maintain and invest in their business. Any major reduction in the amount of money made available to farmers will cause significant economic, environmental and social harm.

THE DECISIONS THAT MUST BE MADE

CONCLUSION

This report has highlighted the specific rural considerations that people will have to weigh up when they consider the implications of leaving or remaining in the EU and cast their vote in the referendum. They are not the only issues and as this report has made clear there are positives and negatives on both sides.

This report has set out the four principal issues for rural business. It is how policy develops in these four areas that will determine the future prospects of the rural economy. This is the case whether we leave or remain in the EU.

What is clear is that a vote to leave will mean substantial change to the way things work now. The 'leave' campaign is strident in their optimism about the potential that this brings, the 'remain' campaign stresses the scale of the unknown and the uncertainty.

If the UK votes to leave the questions that our politicians have to answer are extensive and immediate. The CLA is ready to help shape these critical decisions. If the UK votes to remain it must not be seen as a vote for the status quo. The CLA will continue to make the case for improvements to ensure that EU and UK policy is delivering for our rural economy.

Back Page 29

THE DECISIONS OUR POLITICIANS MUST MAKE

IF WE LEAVE UK MINISTERS MUST

TRADE

- Commit to securing tariff-free access to the EU for all UK agricultural and other products.
- Confirm they intend to replace all trade agreements that currently exist between the EU and other nations before the UK exits.

£ DIRECT SUPPORT - AGRICULTURAL SECTOR

- Give immediate reassurance that the level of CAP payments farmers rely on will continue through to the end of 2020.
- Confirm they will develop a 'UK Agricultural Policy' that ensures that the necessary investment in farming and land management continues outside the Common Agricultural Policy.

REGULATION

- Confirm they will set out a framework for reviewing EU regulation and the opportunities for reform.

LABOUR MARKET

- Ensure that rural businesses, especially farms, will have access to the critically important labour force that is drawn predominately from EU member states.

IF WE REMAIN UK MINISTERS, THE EU COMMISSION AND OTHER COUNCIL MEMBERS MUST

TRADE

- Deliver on commitments to develop opportunities for UK businesses for trade outside the EU.

£ DIRECT SUPPORT - AGRICULTURAL SECTOR

- Confirm that next CAP agreement will continue to provide a balanced and well funded support system that addresses market volatility, climate change, resource depletion and environmental pressures.

REGULATION

- Confirm how the simplification promises in the renegotiation deal will be delivered.

LABOUR MARKET

- Ensure that measures to limit movement within the EU, for example linked to in-work benefit reforms, will not impact negatively on the availability of labour in agricultural sector.

ABOUT THE CLA

We represent diverse and successful businesses located at the heart of rural communities.

We help landowners work in the best interest of the land, wildlife and the environment.

Our purpose is to ensure that our members have the security, certainty and support they need to make investments in their land and business.

The CLA (Country Land and Business Association) is the membership organisation for landowners, farmers and other rural businesses. We have over 33,000 members, together our members own around half of the rural land in England and Wales.

REFERENCES:

- Page 3 – Statistics are taken from:
 - The Department for Environment Food & Rural Affairs publication *Statistical Digest of Rural England – January 2016 edition*.
 - Observatory Monitoring Framework Indicator Data Sheet A3 2015 edition: *Uptake of Agri-Environment Schemes*.
 - The Secretary of State for Environment, Food & Rural Affairs' speech to the 2015 Oxford Farming Conference.
 - The Stats Wales portal.
- Data for businesses in rural Wales is not available to the same extent or in the same form as for England. To identify the rural statistics CLA used the Welsh Government official Local Authority groupings which classify the following as rural Local Authorities – Isle of Anglesey, Gwynedd, Conwy, Denbighshire, Powys, Ceredigion, Pembrokeshire, Carmarthenshire, Monmouthshire. The resulting statistics included in the document were reached in consultation with Welsh Government statisticians.*
- Page 4 – The statistic relating to the percentage of their income UK farmers receive in direct support was taken from DEFRA publication 2014 Total Income from Farming Statistics.
- Page 4 and Pages 8 & 9 – Data on the percentage of UK agri-food imports and exports in 2013 was sourced from capreform.eu (Article: *Agricultural implications of British EU withdrawal for rest of the EU*).
- Page 4 – Statistics on the Labour Market were taken from The Migration Observatory Briefing. *EU Migration to & From the UK (October 2015)*.
- Pages 6 & 7 – The quotes attributed to various individuals and organisations are sourced from:
 - Speeches made at the 2016 Oxford Farming Conference.
 - UKIP's 2015 General Election Manifesto.
 - Business for Britain's Report *Change Or Go*.
 - The Daily Telegraph (23rd February 2016), The Guardian (23rd February 2016).
- Pages 8 & 9 – The data on PSE and other agricultural support information is taken from the Organisation for Economic Development (OECD) publication *Agricultural Policy Monitoring and Evaluation 2015*.
- Page 9
 - The data on New Zealand's level of migration was originally published on stats.govt.nz
 - The data on the amount of trade New Zealand and the EU undertake was taken from ec.europa.eu
- Page 10 – The figures for how the EU budget was allocated within the rural economy were taken from the EU Budget 2013 and relevant calculations undertaken by the CLA Economics Team.
- Pages 12 & 13 – The information on the UK's contribution to the EU budget was taken from page 14 of the Treasury document *European Union Finances 2014* (December 2014).

CONTACTS

For more information about this report contact:

SHANE BRENNAN
DIRECTOR OF
EXTERNAL AFFAIRS
shane.brennan@cla.org.uk

DR CHARLES TROTMAN
SENIOR ECONOMIST
charles.trotman@cla.org.uk

TOM HARLOW
PUBLIC AFFAIRS ADVISER
tom.harlow@cla.org.uk

 @clatweets @clapolitics

16 Belgrave Square, London, SW1X 8PQ
TEL: 020 7460 7961 FAX: 020 7235 4696
EMAIL: MAIL@CLA.ORG.UK WWW.CLA.ORG.UK

Pack Page 30

© CLA (Country Land & Business Association) 2016. Reproduction of content is permitted but must credit the CLA, any alterations to content only with explicit permission. Designed by fluiddesignstudio.com



Rt. Hon Carwyn Jones AM
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

9 March 2016

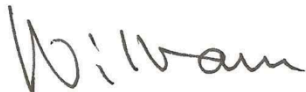
Dear First Minister,

Preparations for the outcome of the EU referendum

At the Enterprise and Business Committee's meeting on 9 March, we heard concerns from the CLA about the preparedness of governments for the EU referendum and its aftermath. In particular, whether planning and preparation was taking place in the event of a vote to leave. While this question arose in our discussion of the rural economy, it also has implications for the economy, higher education, skills and transport areas of our remit, and wider – which is why I am writing to you, rather than the specific ministers.

Could you confirm whether the Welsh Government has plans in place for both possible outcomes of the EU referendum?

Yours sincerely



William Graham

Chair, Enterprise and Business Committee

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



Agenda Item 3

Document is Restricted

Enterprise and Business Committee 9 March 2016

Evidence Paper – EU Funding Ambassadors:

Dr Grahame Guilford
Dr Hywel Ceri Jones CMG
Gaynor Richards MBE

Introduction

1. This paper sets out our roles and remit as EU Funding Ambassadors for Wales, our engagement with stakeholders and partners to date together with our initial findings contained in our [Interim Report](#) “Europe Matters to Wales: EU Policy and Funding Opportunities for Wales 2014-2020” published on 15 December 2015.

Roles and Remit

2. We were appointed by the Minister for Finance and Government Business on 3 December 2014 to help promote and maximise opportunities presented by the EU’s directly managed funding programmes. The appointments were made in direct response to the Enterprise and Business Committee’s report on EU funding opportunities 2014-2020, published in July 2014, which highlighted the need to engage in and promote further the EU’s directly managed programmes in Wales.
3. We were appointed based on our knowledge and experience of European policies and funding and of working with private, public and third sector stakeholders to help strengthen the partnership arrangements needed to help the Welsh Government in championing these directly managed EU funds. We were tasked to work with our respective sectors to help promote and maximise these funding opportunities and to advise the Minister for Finance and Government Business on how Wales can be more successful in exploiting policy funding under these programmes.
4. In undertaking this role we took a conscious decision that the directly managed EU funds cannot be treated in isolation and that it would be important to look across all EU policies and programmes and at the synergies between them to gain a complete picture of the opportunities available.

Engagement

5. Much of our work has involved a series of fact finding meetings to establish how we can make better use of the opportunities that the range of EU programmes present to Wales. This has involved meetings with partners and stakeholders across all sectors involved in the deployment and delivery of European Funding in Wales including the WLGA, the

WCVA, CBI and the FSB. We have also had a number of very useful meetings with the European Commission and other European Institutions.

6. It has also been important for us to engage directly with Welsh Government Ministers and their officials. As well as our meetings with the Minister for Finance and Government Business we have met with the First Minister, the Minister for Communities and Tackling Poverty, the Deputy Minister for Skills and Technology and the Deputy Minister for Culture, Sport and Tourism. We have also engaged closely with the Minister for Education and Skills and with his officials and we very much welcomed their positive commitment and engagement, together with that of the Minister for Finance and Government Business, in the facilitation of a conference on Internationalising Higher Education in association with Universities Wales in Cardiff last November.
7. This followed a very successful third sector conference, also promoted by us, last May “Europe Matters to Wales” hosted by the WCVA at which the Minister for Finance and Government Business also spoke. We are promoting further such events including a workshop on Erasmus+, in association with the British Council, on 22 February, a Creative and Cultural Industries Event in Swansea on 25 February (follows one held in Caernarfon last November) and a conference on Tackling Poverty and Social Exclusion in Cardiff on 17 March at which the Minister for Communities and Tackling Poverty will be speaking. We are also working with Welsh Government colleagues with the view of holding a Post 16 Strategy event to pinpoint the synergies between Welsh Government funding and the different streams of EU policy funding.
8. Our work has also involved us looking across the rest of the UK and Europe to identify best practice. We have had discussions, and direct engagement, with a number of regions to learn lessons on how the approaches witnessed may be applied to Wales.
9. We have overseen the establishment of an internal Welsh Government officials Network to represent and report on the European interests of each policy portfolio. The network has been very useful in helping us to identify the range of policies and funding programmes available to Wales and in bringing together officials to help explore these opportunities. The Network has undertaken a mapping exercise to identify the expertise and support arrangements that exist in Wales and has produced an [information grid](#) that has been published alongside our interim report.

Interim Report

10. The Minister for Finance and Government Business published our [Interim Report](#) on 15 December 2015 and wrote to key stakeholders seeking comments over our proposals and any further views on sectorial engagement to feed into our future work. Those consulted included Welsh Government Ministers, Assembly Members, the Presiding Officer, Chairs

of the Enterprise and Business Committee and the All Wales Programme Monitoring Committee, the Council of Economic Renewal, Welsh MEPs, the WLGA, WCVA, Universities Wales, Colleges Wales and to the head of the European Commission Office in Cardiff.

11. The Interim Report contains 3 specific recommendations together with a number of thematic and general observations which we consider important to influence Welsh Government's future approach to accessing EU policy funding. These recommendations and observations are largely centred around the need for Welsh Government to better prioritise and communicate its European strategic policies and to develop a stronger policy link with officials in Brussels. We are firmly of the view that greater direction and empowerment of the Welsh Government Brussels office to enable them to focus their efforts on key priority areas is the key to future success.

12. We specifically recommended:

(i) The creation by the Welsh Government of a European Interdepartmental Committee to:

- keep under review the impact of EU policies and EU funding across the span of Welsh Government strategies and policies;
- promote proactive cooperation between its Departments and the joined-up delivery of EU/Welsh initiatives and their combined funding; and
- focus attention on the key priorities for Welsh Government and ensure seamless coordination and cooperation between officials in Cardiff and Brussels in pursuit of the chosen priorities.

(ii) The Welsh Government should take a view on priorities to guide operational efforts over a timeframe stretching to 2020 in order to reflect the lifeline of EU programmes.

The Europe 2020 strategy and the range of EU policy funding programmes offer important opportunities for Wales but at the same time add inevitably to the complex challenge of ensuring effective joined up delivery. Priority setting is therefore crucial. To make this work well in practice, we suggest adoption of the following guiding principles:

- it should be designed to confirm and maximise synergies between EU and Welsh Government strategy and policies, and the interplay of EU and Welsh Government funding;
- it should provide a clear focus for the work of the European Interdepartmental Committee and the well coordinated efforts of Welsh Government staff and its partners in Wales and in Brussels so that they are empowered to take the necessary proactive action to pursue the chosen priorities;

- it would provide the basis for the Welsh Government to assess and review appropriate resourcing to pursue top priorities and to participate in European networks and platforms.
- it should in this way provide a good basis for Welsh Government to adapt, monitor and evaluate its own performance.

(iii). The need for the Welsh Government to continue to communicate widely good examples to illustrate the impact (potential or actual) of Welsh/European ventures and the difference they can and do make in Wales.

One of the essential keys to more effective communication about the significance of EU policy funding to Wales will be for Ministers to take every opportunity to spell out to the public, in their narratives concerning their respective portfolios, the added value of the EU contribution to Wales in both policy and financial terms. There are already good examples in this regard, particularly from the First Minister and the Minister for Finance and Government Business. Such a Ministerial team effort, across the span of Government, would also contribute substantially to ensuring a mature and well-informed public discussion within Wales on the arguments surrounding EU membership which will be generated over the next year.

13. We also consider that the following considerations should influence Wales' future approach to accessing EU policy funding:

- Simply chasing funding opportunities in isolation from a process that sets clear strategic funding priorities will yield few dividends.
- More could and should be done in Wales to exploit actively synergies between EU and Welsh Government policy funding.
- A more prioritised and co-ordinated approach, reflecting Welsh Government strategic priorities, is essential.
- Linkages between political commitment and the actions of policy officials in targeting EU funding opportunities should be strengthened.
- Prioritisation should therefore be reviewed, systematically and periodically, by Welsh Government since prioritisation needs to be defined across the span of Welsh Government strategy to provide a clear focus for exploiting EU policy funding opportunities to enhance the Welsh Government's own action plan.
- Welsh Government's current and future investment in facilities and staff resources through which to monitor EU policy and facilitate access to EU policy funding opportunities, should be re-examined.

- Further investment in facilities and resources may be warranted on the basis of a plan for more finely-tuned and targeted actions.
- Considerable EU funding expertise, together with membership of a number of EU policy networks already exists within Wales, both internally to Welsh Government and amongst wider stakeholder organisations. A more collective, innovative and pro-active approach to engage in knowledge and capacity sharing would assist Wales and Welsh organisations in accessing enhanced EU funding outcomes.
- The links with the Welsh Government's Delivery Unit could be usefully explored and reinforced.

14. We appreciate that it will inevitably take time for Government to fully consider and implement many of our proposals and that much of this will now fall to the next Administration following the election in May. However, we are pleased to see that, as a direct result of our recommendations, a senior officials EU Policy Group has now been established.

15. We also welcome the positive engagement by Ministers, officials and partners in helping to facilitate the key promotional and exploratory conferences and workshops mentioned above, and highlighted in our report. We see these as critical to better inform partners and stakeholders of the opportunities and funding synergies available to support the Government's key policies and strategies.

Next Steps

16. The Minister has asked that we focus our remaining time on the outstanding conferences and workshops and at further looking into the roles and requirements of partners across all sectors in Wales and what Government can do to assist them in further accessing EU opportunities.

17. We intend to comment further on that in our final report based on some very positive feedback and extremely useful observations received from partners and stakeholders on our interim report.

18. Our final report will be submitted to the Minister for Finance and Government Business in March 2016.

Julie James AC / AM
Y Dirprwy Weinidog Sgiliau a Thechnoleg
Deputy Minister for Skills and Technology



Llywodraeth Cymru
Welsh Government

Mr William Graham AM,
Chair to the Enterprise and Business Committee

William.Graham@assembly.wales

02 March 2016

Dear William

Enterprise and Business Committee – Assisting young people into work inquiry

Following my attendance at the Enterprise and Business Committee scrutiny session on the inquiry into 'Assisting Young People into Work' on Wednesday 24 February, I agreed to provide the Committee with some further information.

Please find below a link to the STEM Choices Resource Pack for Careers Education and Information, Advice and Guidance Practitioners. This resource arises from the STEM Choice and Careers project undertaken by the Centre for Science Education at Sheffield Hallam University and VT Enterprise, on behalf of the Department for Children, Schools and Families (DCSF).

<http://dera.ioe.ac.uk/2968/1/stem-final.pdf>

I also include a link to an extract from the House of Lords Science and Technology Tenth Report regarding students' attitudes and choices.

<http://www.publications.parliament.uk/pa/ld200506/ldselect/ldsctech/257/25705.htm>

I would also like to provide the Committee with some further information about the job matching pilot for Skills Gateway. The Welsh Government's Skills Implementation Plan describes a commitment to delivering an integrated approach to employment and skills support. Part of the approach includes the introduction of a Skills Gateway as a first route for individuals and employers wishing to access skills and employability support in Wales.

For individuals in particular, the Skills Implementation Plan confirmed that a function for matching job seekers with local employment opportunities would be introduced with a further aim to actively steer employability provision which more effectively meets the needs and opportunities of recruiting employers. Central to the development of this job matching provision will be the need to pilot an approach that will help shape the future service for the Skills Gateway.

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

English Enquiry Line 0300 0603300
Llinell Ymholiadau Cymraeg 0300 0604400
Correspondence: Julie.James@wales.gsi.gov.uk

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 aim of the pilot will be to set up, via the Skills Gateway platform, a workable process for matching individuals seeking employment with potential job vacancies identified at growth organisations currently benefiting from Welsh Government support. This approach helps to identify growth businesses as well as maximise Welsh Government investment. This approach will also further build upon the cross departmental working arrangements between Economy Science and Transport (ES&T) and Skills, Higher Education and Lifelong Learning (SHELL) in partnership with Careers Wales, supporting the bridging of business and skills within one activity.

Officials from ES&T will identify a range of organisations across Wales, mainly from Tourism, Life Sciences and Advanced materials and manufacturing. Identified businesses agreeing to participate in the pilot will provide details of their job vacancies to ES&T, including skills and qualification requirements, salary, location and starting dates. These vacancies will be shared with officials, collated and provided to Careers Wales. Skills and experience profiles of individuals seen by regional Careers Wales advisors over recent months will then be accessed for matching.

Careers Wales advisors will liaise with the individuals following their usual procedures to establish interest and availability and support the arrangements of interviews with employers.

Yours sincerely

A handwritten signature in cursive script that reads "Julie James".

Julie James AC / AM

Y Dirprwy Weinidog Sgiliau a Thechnoleg
Deputy Minister for Skills and Technology



William Graham AM
Chair of the Enterprise and Business Committee

02 March 2016

Dear William

Enterprise and Business Committee Update

I am writing to provide an update on the actions discussed at Enterprise and Committee on 9 December regarding hardship relief and information that is publically available on business rates. I agreed to provide an update for the Committee once I had met with Local Authority Leaders.

I discussed the awarding of hardship relief at my meeting with Local Authority Leaders in January. Following some discussion, it was agreed that the best way forward would be for a small group to be set up to examine the issues. Cllr Aaron Shotton, Leader of Flintshire Council and Finance Spokesperson of the WLGA, has offered to Chair the Group, and I understand that a meeting on this will be convened in due course.

I also promised to explore whether further information could be published on business rates. Firstly, I have published some information on reliefs currently supported through my Department, which is available via the following link: <http://gov.wales/topics/businessandconomy/how-we-support-businesses/business-rates/?lang=en>

I have asked for further advice regarding our options for collecting and publishing information on business rates and I am confident that there will be a continued focus here.

I have also enquired as to whether there is more information that the Valuation Office Agency can publish. I understand that the Valuation Office Agency is currently reviewing the information it publishes and that changes to its statistical publications could be forthcoming.

Edwina Hart

William Graham AM
Chair
Enterprise and Business Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

Your ref:
Our ref: PO/RB/LJ

2 March 2016

Dear William

At its meeting last week, the Business Committee considered a paper from the Government regarding a Supplementary Legislative Consent Memorandum (Memorandum No. 5) in relation to the UK Government's Enterprise Bill.

The Supplementary Legislative Consent Memorandum relates to amendments that create data sharing powers between Her Majesty's Revenue and Customs (HMRC), the Secretary of State and the Devolved Administrations in the context of apprenticeship functions. Business Managers agreed that the subject matter of the Supplementary Legislative Consent Memorandum was of most topical relevance to the Enterprise and Business Committee.

Due to the time constraints with the approach of the Assembly's dissolution, and the government's intention to schedule the Legislative Consent Motion for debate on 15 March, the Business Committee agreed not to refer the Supplementary Legislative Consent Memorandum to a Committee for scrutiny but noted however that the Presiding Officer should write to the Enterprise and Business Committee.

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

I am also sending a copy of this letter to the Chair of the Constitutional and Legislative Affairs Committee to note the decision of the Business Committee.

Best wishes,



**Dame Rosemary Butler AM
Presiding Officer
Chair, Business Committee**

The Rt Hon Sajid Javid MP
Secretary of State for Business, Innovation and Skills
1 Victoria Street
London
SW1H 0ET

javidmpstcorrespondence@bis.gsi.gov.uk

4 March 2016

Dear Secretary of State,

Issues affecting the steel industry in Wales

The Enterprise and Business Committee of the National Assembly for Wales gave consideration to the issues affecting the steel industry in Wales on Thursday 3 March, and I'm writing to you to share our conclusions.

After considering written evidence from the Secretary of State for Wales, and questioning the steel companies, unions and the Welsh Government Minister, we are very clear that the very existence of the steel industry in Wales is at a critical point. Steel is an industry of strategic importance, and if we are to maintain an industry in Wales and the wider UK it is essential that urgent action is taken at all levels.

- We heard frustration from the industry and unions that the pace of delivery on the Five Asks has been slow.
- We heard confidence in the level of understanding that the Minister for Small Business, Industry and Enterprise has regarding the issues affecting Steel, and trust that these messages are being conveyed to you as Secretary of State.



- While the measures taken by the UK Government have addressed some of the problems on energy, it is clear that the industry still does not enjoy a level playing field with European partners. More needs to be done here.
- We urge the UK Government to take all steps to ensure speedy and meaningful action on tariffs – a key short term measure to tackle Chinese imports undercutting the European market. The USA has acted swiftly and decisively – it is vital that the EU can show similar clarity and speed of action.
- We have serious concerns about the possible impact of granting Market Economy Status to China, and urge the UK Government and other Member States to reflect fully on the implications for steel and other manufacturing industries in the UK.

I will also be writing to the Welsh Government urging them to deliver with pace, particularly with regard to business rates.

Yours



William Graham

Chair, Enterprise and Business Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.



The Rt Hon Stephen Crabb MP
Secretary of State for Wales
The Wales Office
Gwydyr House,
Whitehall
London
SW1A 2NP

Correspondence@walesoffice.gsi.gov.uk

4 March 2016

Dear Secretary of State,

Issues affecting the steel industry in Wales

Thank you for the evidence you submitted to the Enterprise and Business Committee for our consideration to the issues affecting the steel industry in Wales on Thursday 3 March.

After considering your letter, and questioning the steel companies, unions and the Welsh Government Minister, we are very clear that the very existence of the steel industry in Wales is at a critical point. Steel is an industry of strategic importance, and if we are to maintain an industry in Wales and the wider UK it is essential that urgent action is taken at all levels.

I am writing to you as Secretary of State to ask that you can voice the committee's concerns around the cabinet table and particularly with your colleagues in BIS and Treasury.



- We heard frustration from the industry and unions that the pace of delivery on the Five Asks has been slow.
- We heard confidence in the level of understanding that the Minister for Small Business, Industry and Enterprise has regarding the issues affecting Steel, and trust that these messages are being conveyed to you as Secretary of State.
- While the measures taken by the UK Government have addressed some of the problems on energy, it is clear that the industry still does not enjoy a level playing field with European partners. More needs to be done here.
- We urge the UK Government to take all steps to ensure speedy and meaningful action on tariffs – a key short term measure to tackle Chinese imports undercutting the European market. The USA has acted swiftly and decisively – it is vital that the EU can show similar clarity and speed of action.
- We have serious concerns about the possible impact of granting Market Economy Status to China, and urge the UK Government and other Member States to reflect fully on the implications for steel and other manufacturing industries in the UK.

I will also be writing to the Welsh Government urging them to deliver with pace, particularly with regard to business rates.

Yours



William Graham

Chair, Enterprise and Business Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.



Edwina Hart AM
Minister for Economy, Science and Transport
Welsh Government

4 March 2016

Dear Edwina

The future of the steel industry in Wales

Thank you for attending the Enterprise and Business Committee to discuss the pressures facing the steel industry in Wales.

The Committee was very pleased to hear in its evidence from representatives of the industry and unions of the level of consistent support and assistance provided by the Welsh Government, in response to what has been described as ‘a perfect storm’ of recent events in the steel industry in Wales and beyond.

- Business rates was identified as a major factor in the wider financial picture that affects the industry. Delay in action on business rates was noted as a key concern by industry representatives. The Committee appreciates the complex issues surrounding this, but encourages the Welsh Government to act as quickly as possible to put in place measures to lower the cost to Wales’ manufacturing sites. The Committee would appreciate a statement of intent on this issue, at the very least, before the Assembly elections in May.
- The quick set-up of the Tata taskforce was praised, along with the skills retention schemes applied in similar situations in the past. In light of this, the Committee would urge the Welsh Government to consider the redevelopment of ProAct, or a similar scheme, to mitigate, as much as possible, the effects of potential job losses.
- In your evidence session, you mentioned research you had commissioned on the quality of Chinese steel. The Committee would appreciate sight of



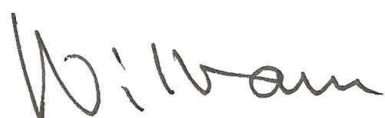
the results of this research and would be grateful if you could highlight the key selling points of UK steel (other than its superior quality).

- It was highlighted to the Committee that Government action alone cannot be regarded as a silver bullet and that working with other stakeholders is crucial. The Committee was pleased to hear the Welsh Government is receptive to discussions on joint ventures/joint investment prospects and would like to see the Welsh Government working alongside businesses to secure the long term sustainability of the industry. The Committee noted that discussions are on-going with Tata in relation to the proposed power plant at Port Talbot and would appreciate being kept informed on this, as appropriate.
- The Committee was pleased to hear that you are discussing with the UK Government the possibility of the Welsh Government taking forward an application to the European Globalisation Adjustment Fund. The Committee would appreciate being kept informed on this issue.
- The Committee learnt of the losses the industry is making on a daily basis and therefore would appreciate an indication of the timescales in which you anticipate progress will be made.

The Committee fully understands that there are contributing factors beyond the scope of the Welsh Government, but urge you to act with urgency to protect the future of the steel industry in Wales, and that you continue to put pressure on the UK Government as Member State to the European Union to deliver with pace on this issue.

I have also written to the Secretary of State for Wales and the Secretary of State for Business, Innovation and Skills outlining the Committee's concerns and stressing the need for urgent action.

Yours sincerely



William Graham

Chair, Enterprise and Business Committee



Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English

Agenda Item 4.5



Christian Brodie
Chairman
Students Loans Company
100 Bothwell Street
Glasgow
G2 7DJ

Mr William Graham AM, Chair
National Assembly for Wales
Enterprise and Business Committee
Cardiff Bay
Cardiff
CF99 1NA

26th February 2016

Dear William,

The Student Loans Company and the Introduction of Postgraduate Loans in Wales

Thank you for your letter dated 3rd February regarding the above. Your letter refers to correspondence from last year between the Welsh Government Minister for Education and Skills and the BIS Minister for Universities and Science and I think it would be inappropriate to comment on these specific points as these are matters between the respective Ministers. I have, however, responded to the other specific points raised in your letter and I hope this is helpful.

General Assessment

Before dealing with the specific details of Postgraduate Loans (PGL), I thought it might be helpful, in terms of my general assessment, to set out how SLC delivers its annual change programme to address its customer's (BIS & Devolved Administrations) policy commissions.

In any normal period, i.e. where there are no Westminster elections or HMT fiscal events, SLC would expect to have confirmed funding and a locked down programme of change that is required to deliver policy requirements by the time of the March/April Ministerial Annual Performance and Resource Agreement (APRA) letter of the year preceding the Academic year for which changes are required. Specifically, changes would be signed off and commissioned (with funding agreed) by all relevant Ministers as part of the 2015 APRA process in March 2015 in respect of policy changes that require systems and other operational changes in advance of the 2016/17 academic year. The 2016/17 academic year activity starts with applications being received with effect from February 2016. This gives the SLC just under a year to analyse, build and test what are very complex systems ahead of deploying these into the live environment in support of the launch of the application processing cycle.

Student Loans Company Limited 100 Bothwell Street Glasgow G2 7JD
Tel: 0141 306 2000 Fax: 0141 306 2005 www.slc.co.uk

VAT Reg No. 556 4352 32 Registered in England No. 2401034 Registered office: 21 St. Thomas Street, Bristol BS1 6JS

The UK general election in May 2015 and subsequent HMT budgeting process and timetable meant that the APRA process for FY2015/16 and policy deliberations in respect of the next academic year (2016/17) were significantly later than usual. This resulted in delays in discussions with BIS and the Devolved Administrations in terms of their respective policy priorities. As a result, a later deadline of 1st July 2015 was agreed by all officials across all UK Administrations for that year in terms of agreed policy changes required for academic year 2016/17.

It is also worthwhile noting that notwithstanding the election year, BIS do not generally share details of high profile policy initiatives with Devolved Administrations until these have been announced. Like all Whitehall departments, BIS are subject to strict guidelines with regards to confidentiality of fiscal announcements. Furthermore, Devolved Administrations also report that they do not normally receive their full funding allocations until after such fiscal announcements and these factors in turn impact on their own policy deliberations and the timing of when these are shared with SLC as firm requirements.

All of the above has impacted the change programme required to support the 2016/17 policy changes and academic cycle.

Update on Postgraduate Loans

The situation in respect of PGL was impacted by the above events and this had an impact on decision making and timings. BIS were also still formally consulting on PGL and therefore, while much information was already in the public domain, they were unable to share all of the detail including their likely final policy position. Planning assumptions were provided to SLC but given the ongoing consultation, SLC were asked not to share the detail of these. As a result, Welsh officials advised that they were unable to determine their requirements of SLC in respect of PGL in advance of the agreed deadline of 1st July.

It is also worth noting that during the period around the deadline various discussions took place on the subject of PGL for Wales. These included whether Wales might not follow BIS's policy lead, whether Wales would want SLC to deliver PG loans, whether this would be for a later academic year and whether Wales may look to create their own capability re PG loans.

In summary, prior to the agreed deadline, Wales asserted that they were neither in a position to determine their definitive position nor, for the reasons mentioned above, able to provide detailed requirements to SLC.

By the time SLC was asked to deliver a PGL product for Wales in August, this was to be based on the English version. While this request may have seemed straightforward, it is actually quite complicated as SLC would have to develop a processing portal for Wales and databases and controls to segregate PGL applications by domicile (providing the requisite domicile based access control to those applications). Furthermore, a separate suite of correspondence and forms suitably branded and in dual language would also have been required. It is also relevant to note that at this time no Welsh consultation had been undertaken.

Despite the lack of clarity on PGL, it is true that, by this time, and at the time where SLC were asked to make changes to the undergraduate student support package, SLC's change capacity had been fully committed to the known and detailed requirements of all of the UK Administrations. For Wales this had been confirmed and defined as:

- Higher and Further Education policy rollover for the next academic year
- A new online part-time customer portal
- Changes to Disabled Students' Allowance (DSAs)
- Part-time Exemptions to UK Honours Policy
- Automating Verification of Household Income for returning students in Further Education

It was clearly communicated at this point to all and discussed in Board meetings etc (attended by Wales) that SLC had no further change capacity and any additional requirements would need all four Administrations to reprioritise and collectively agree their new 'ask' of the SLC.

The above Welsh priorities were committed to and are being delivered except for the DSA changes and Part-time Exemptions to UK Honours policy. These were subsequently removed from scope at the request of the Welsh Government who decided to move implementation to a later year.

It is also important that although the Welsh Government has still not consulted on PGL, we are actively working with them to factor this into the emerging AY2017/18 portfolio of change. We will however need the support of the Welsh Government to confirm the details of the policy to allow us to progress planning for the delivery of this.

SLC Change Capacity, Improvements to the Commissioning Process and Allocation of Change Resource

The complexity and devolved nature of Higher Education policy and the necessary interdependencies of the systems mean that delivering change is always time consuming and requires early sight of detailed policy initiatives. Together with officials from all of the UK Administrations, SLC have been working on a new commissioning process with fixed stage gates for key stages, including submission of priorities and a time for SLC to assess deliverability of the portfolio. The new approach allows for all Administrations to individually prioritise their requirements and an approach is being discussed on allocating SLC's finite change capacity based on how SLC is funded. While not yet formally agreed, this involves apportioning capacity according to the relevant customer share (85%/5%/5%/5%). Each Administration would prioritise within their share. While change capacity is always finite and subject to constraint, if approved, there will be a mechanism for allowing this finite capacity to be allocated equitably. Delivery will still require early sharing of policy details, rigorous prioritisation and confirmation of finalised commissions in a timely manner.



Student Loans Company

For Wales, for the 2017/18 academic year, we have received a list of potential changes required but, these are without detail, and we are advised they may be subject to amendment as officials are unable to confirm requirements until after the National Assembly for Wales election and the outcome of the Diamond Review. While SLC can keep a placeholder for the outline provisional requirements, there is always the possibility that if confirmed too late then SLC will be unable to undertake the work required to have these changes ready for the following academic year.

In terms of SLC's ability to deliver for Wales more generally, there is always a risk that the timing of Welsh officials' thinking is constrained by funding decisions which follow HMT fiscal announcements. The risk is that Wales could, in theory, time out each year if following BIS policy announcements as by the time funding decisions are made and BIS are able to share detailed policy information, there may not be adequate time left to deliver changes in time for the launch of the service. Irrespective of the above, SLC will always use best endeavours to accommodate the needs of all of its shareholders and will continue to do everything possible to deliver the excellent operational service and change programme that all UK Government Administrations have been used to.

I hope that the above has been useful, and that it demonstrates the general complexities faced and also the specifics around the implementation of the PGL product. David and I would be happy to discuss this further with you in private if that would be helpful.

Yours sincerely,

Christian Brodie
Chairman

Cc David Wallace, Chief Executive Officer, Student Loans Company
Neil Surman, Deputy Director, Higher Education Division, Welsh Government

Agenda Item 6

Document is Restricted