

Mark Drakeford AM/AC
Ysgrifennydd y Cabinet dros Gyllid
Cabinet Secretary for Finance



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MA-P/MD/2753/18

David Rees AM
Chair
External Affairs and Additional Legislation Committee

2 August 2018

Dear David,

Thank you for your letter of 19 July seeking further information following the scrutiny session on 2 July.

The European Union Transition Fund

Previewed in our 'Welsh Government Final Budget 2018-19: a New Budget for Wales' in December 2017 and announced earlier this year by the First Minister, our £50 million EU Transition Fund was established to help business, public services and other partner organisations in Wales plan for and prepare for the impacts of Brexit.

We are providing an initial £50m for the Fund, which will be available over the transition period. This will be a mix of revenue, capital and loan finance (funded via financial transactions capital) and will be drawn from a number of funding streams. The funding profile for the £50m will be firmed up as and when specific measures are agreed. Any capital provision and loan finance will deploy some of the resources we received in the 2017 UK Autumn Budget. The new Welsh Reserve will also provide additional flexibility if needed. We will continue to keep the need for additional funding under review.

Among the first projects to benefit from the funding was £2.15 million to support the development of the red meat sector in Wales. It will support farmers to identify improvements to their businesses to help them become more competitive and in a better position to trade profitably following Brexit. Funding of £100k will also be given to an import substitution project to help identify and secure supply chains within the UK and encourage companies based in the EU to set up operations in Wales.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

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

Also, over the next two years, the fishing and aquaculture industries will receive financial support to help that sector find new markets and prepare for future trading outside the EU. Funding of £390k and £440k is being made available to transforming Government Fisheries Management Systems for EU Exit and to supporting Welsh fisheries and Aquaculture sectors to prepare for EU Exit respectively.

We recently announced £3.5m for a programme run by Wales' universities to drive international partnerships and promote Wales as a study destination in a post Brexit world. We are also facilitating the WLGA to deliver a Brexit support package to all 22 local authorities in Wales (£150k) and for research to collect data on social care workforce and dependency on EU nationals (£200k). I anticipate further announcements of allocations from the EU Transition Fund will be made in September. This will continue to increase spending from the Fund.

The above projects will help future proof our economy. The Fund is designed to help business and others, but while this investment will boost our resilience, it cannot insulate us from the effects of 'no deal' or a hard Brexit. We nevertheless continue to welcome ideas for initiatives and interventions that will be of strategic value to Wales over the coming months.

Brexit Preparedness Consequential

Brexit is creating resource pressures across Welsh Government as work intensifies to prepare for operational implications of exit, negotiate positions to influence the UK's future partnership with the EU, and develop post-EU common frameworks.

Alongside the UK Spring Statement it was confirmed that our 'share' of the £3bn over two years announced by the UK Government for Brexit preparedness is £20.7m in 2018-19. This consequential will be available to support Brexit related staffing costs in addition to the external facing fund.

Following a cross Welsh Government analysis of workforce requirements, subject to final budgetary approval, we are launching a recruitment campaign to resource the pressures identified. To ensure the organisation responds quickly to the pressures Brexit has resulted in, whilst maintaining a clear focus on affordability in the long term, this resourcing will be based on a mixture of permanent and fixed term arrangements.

I will make a statement to the Assembly on Brexit resourcing matters as these plans are finalised in the near future.

EU-UK Joint Committee

I fully agree with you that the Welsh Government and the other Devolved Administrations must be given an active role in the Joint Committee arrangements to oversee the Withdrawal Agreement. The same logic applies to any Joint Committee arrangements to be set up to oversee the Future Economic Partnership or other specific agreements between the EU and the UK which relate to it. You can take it that we will make it very clear to the UK Government that such approaches are absolutely necessary in order for any future agreements to be fully operable in relation to devolved matters, or to non-devolved matters that impact on devolved ones, which covers a very broad scope of issues. We will continue to press these points at the appropriate levels with UK Government in the coming weeks and months as negotiations develop.

Cabinet Responsibilities for Brexit

The Welsh Government Cabinet's position is outlined in 'Securing Wales Future' and a Cabinet Sub-Committee was established to conduct European Transition business. The First Minister leads our public presentation, notably to both the UK Prime Minister and directly with the chief EU negotiator, Michel Barnier. I represent Cabinet colleagues at JMC(EN) while the Minister for Housing and Regeneration is leading at the Ministerial Forum, bringing in other Cabinet Secretaries and Ministers to consider negotiating positions based on portfolio role and responsibilities.

Through the European Transition Officials Group Brexit related matters are being mainstreamed.

Ministers and officials participate in to the following inter-governmental forums:

- Joint Ministerial Committee on EU Negotiations (JMC(EN))
- Ministerial Forum on EU Negotiations (MF(EN))
- Official level technical working groups on UK negotiating positions, feeding into the MF(EN)
- Joint Ministerial Committee on Europe (JMC(E))
- Official level discussions on common UK Frameworks (commonly known as "deep dives")
- DEFRA Ministerial Quadrilateral
- Finance Ministers Quadrilateral
- BEIS –DA Official level Forum
- UK Government/Devolved Administration Forum on Operational Readiness (Official level)
- EU Exit Secondary Legislation and Devolution Central Management Group (Official level)

I look forward to discussing these issues further with the Committee.

Best Wishes

A handwritten signature in black ink that reads "Mark Drakeford". The signature is written in a cursive, slightly slanted style.

Mark Drakeford AM/AC

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