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Llywodraeth Cymru  
Welsh Government

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Dear David,

Thank you for your letter dated 19 June following my appearance before your Committee on 3 June to discuss Brexit preparedness in Wales.

Welsh Government shares your concerns about the potentially damaging effects on Wales of leaving the EU without a deal. We have consistently said that a no deal exit would be catastrophic for the UK as a whole, but particularly so for Wales and we have consistently stated that it would not be possible to fully mitigate the effects of a no deal outcome. The UK Government's own figures show the UK economy would be between 6.3% and 9% smaller in the long term in a no deal scenario and in Wales the economy would be 8.1% smaller.

Against this backdrop, it is important that we do all that we can to prepare, and support the people, public services and businesses of Wales.

In your letter you asked for more information about a number of points which are set out below.

### **General preparedness and Operation Yellowhammer**

You asked about the key messages emerging from the lessons learned exercise, and any actions we are taking to address any identified gaps. The lessons learned exercise reinforced our existing understanding that it is not possible for Wales to prepare in isolation and preparations are much more effective when there is genuine engagement across administrations; and that the worst impact may not be felt immediately but will cumulate over time impacting the most vulnerable people.

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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.

We have been taking a strategic approach to preparations, looking to what can be done to mitigate the most significant impacts, which compared favourably to the approach taken by the UK Government. We are building on our reflections to ensure our plans are as robust as possible. In particular, considering whether any of our underpinning assumptions need to change. For example we have been considering the implications of a potential leave date in the autumn instead of the spring which will include different seasonal pressures on the NHS and could lead to problems with stocking in the retail sector, with less storage space for stockpiling goods given the run up to Christmas than there was in March. However, there remains great uncertainty over the likely impacts in the short term and the consequences of a no deal exit will be out of our direct control. This is why our no deal preparations need to be thorough and flexible to respond to the changing business climate.

You also enquired about the levels of staff turnover in relation to preparedness and no deal planning. The Welsh Government has largely been able to redirect and prioritise existing Civil Service resource to cope with the increased demands as a result of preparing for Brexit. There has been some increase in capacity through fixed term, or temporary appointments, for Brexit preparedness and no deal planning. We have not seen evidence of increased staff turnover since April 2019, with the vast majority of people who were working on Brexit preparations still in post. By comparison it has been reported that 6,000 Civil Servants in Whitehall have been stood down from no deal preparations.

The Welsh Government acknowledge the impact of the pressure, uncertainty and frenetic nature of Brexit on individuals, and we are continuing to review resourcing for key positions dealing with Brexit preparedness to ensure sufficient resource and support is in place for those individuals and teams.

### **Continuity of supply chains**

You outlined how the Welsh Local Government Association told you that, while local government can assure itself to a certain extent in relation to services delivered by contractors, factors beyond its control in relation to continuity of supply chains may lead to contract failure particularly in the event of a no deal Brexit. You asked what the Welsh Government is doing to assist the devolved public sector in mitigating against this possibility under a no deal scenario.

With regards to procurement, whilst Local Authorities are responsible for their own contracts, as they have standing arrangements for their own contractual matters, Welsh Government has proactively carried out a number of activities to provide support to all contracting authorities across the Welsh Public Sector (WPS) including holding a number of workshops regarding Brexit preparedness. We have engaged with Local Authorities to obtain data on supplies for social services to centrally stockpile any key products identified. Whilst it was difficult to obtain this data, the aim was to add an extra layer of risk mitigation to plans Local Authorities are already putting in place as part of the multi-layered approach being taken by the NHS. NHS Shared Services have confirmed they are now holding additional stock of key products to be able to support social services if they are unable to access these via all other business as usual routes of supply.

In the event that there are emerging risks to the supply chain, there are well-established arrangements in place for Welsh Government to work closely with partner agencies, via the Local Resilience Forums, to assess the impact and where necessary, take appropriate action. Welsh Government is helping authorities recognise where they may need to do more to ensure they have sufficient preparations in place, and assessing the robustness or effectiveness of those preparations. We are providing support to do so, including funding for additional resource and to support a co-ordinated and joined up response.

We have structures in place for strong engagement and communication with local authorities, such as the Local Government EU Preparedness Advisory Panel, which meets regularly. Through this forum levels of preparedness including supply chain resilience are regularly discussed and assessed, in particular food and social care supply chains.

We also regularly communicate with and engage procurement professionals across the WPS on Brexit related matters. This has included:

- Face-to-face presentations across the Welsh public sector including at a WLGA heads of procurement meeting to join up consistent approach;
- Regular Brexit newsletters to the profession;
- Proactively contacting LA Heads of Procurement to ask about their “top Brexit concerns” to establish what other actions may be appropriate;
- Produced a Frequently Asked Questions document;
- Undertook an online survey in June 2019 to assess level of satisfaction of communications on Brexit procurement.

A Brexit procurement team is dedicated to co-ordinating much of the above work, they have close alignment with supply chain risk mitigation with the UK Government so are able to work in an agile way to disseminate information quickly.

## **Awareness Raising**

You ask similarly what action the Welsh Government is taking to improve awareness of the need for Economic Operator Registration and Identification (EORI) certificates among Welsh businesses. This matter is not devolved, and HMRC has written to all VAT registered businesses that are trading with the EU to make them aware that they will need an EORI number.

However, recognising how important it is for overall preparations and for the economy, Welsh Government has been supplementing HMRC communications with advice for Welsh businesses. On 2 July we announced five simple, low-cost actions we have identified to help Welsh businesses prepare for a no deal Brexit and have published this advice on our Preparing Wales website and on the export landing page of the Brexit portal (<https://gov.wales/is-your-business-ready-for-no-deal-if-not-you-are-running-out-of-time>). The steps include the need for an EORI number, information about which has been promoted via the Preparing Wales website for some time. These messages will be reinforced during face to face discussions between export advisers and businesses.

## **Communications**

You asked for more information on how the Welsh Government plans to ensure that its messaging on preparing for a no deal Brexit is clear and consistent, and that it avoids the risk of business and people being less prepared for this scenario at the end of October due to the perception that it will not happen.

We share your concern about the readiness of third parties, particularly businesses, and the potential implications on overall readiness. We fully recognise the challenge in devoting scarce resources to planning for something that may never happen, but our message to business is that the risk of ignoring the threat of no deal is great. It is not enough to take the chance that Parliament or the EU will once again put a stop to it at the last minute. But as I said in my Oral Statement of 4 June, businesses can access financial support and advice about trading through uncertain times on the Business Wales website, including the Brexit Portal, and on Preparing Wales and through the Development Bank for Wales.

We continue to press UK Government to issue clearer messages about what no deal means for businesses, and what specific actions they should be taking to be prepared. We will also press this message with the new Prime Minister.

We have also set up a range of structures to engage with organisations across Wales so we can have frank conversations on the impact of Brexit, get intelligence on their experiences and work together to prepare for the many practical implications of leaving the EU.

We communicate our messages about the need to prepare via these various standing Brexit stakeholder groups which cover business, economy, public services, higher education, agriculture, environment, rural affairs and health, and encourage them to cascade that information to their members and stakeholders

You also asked whether the Welsh Government has any plans to assist businesses further in preparing for this scenario, building on the work done through the Business Wales Brexit portal, the Development Bank of Wales, and the Preparing Wales website. Specifically, you asked for the latest usage figures for the Preparing Wales website and Business Wales Brexit portal.

As the primary sources of advice and guidance for businesses the Preparing Wales website and the Business Wales Brexit Portal are regularly reviewed and updated. News items are continually being created and published on the Business Wales website to highlight what businesses need to know and do to prepare. – including detailed advice on export processes. On 8 July there have been over 34,000 users of the Business Wales Brexit portal, with 913 businesses completing a full self-assessment via the Diagnostic Toolkit - a significant rise in numbers since the start of 2019.

The Development Bank of Wales helps Welsh businesses get the finance they need to start up, strengthen and grow. It can provide loans from £1k up to £5m - as well as mezzanine and equity funding; and helps businesses find the right finance partner to leverage in private finance. The Development Bank of Wales now manages in excess of £1.1 billion of Welsh Government funds, including over half a billion pounds across all business funds and the £454 million Help to Buy – Wales provision, following a recent increase in the resources available by the Bank

In addition to the users of the Business Wales Brexit Portal described above, as of 8 July there were over 33,000 unique views on the Preparing Wales website.

It is vital that the time extension to Article 50 is used to continue and strengthen preparations for Brexit and to help businesses to effectively manage the uncertainty. Welsh Government's first supplementary budget includes capital allocations of £85m to support the Welsh economy in the face of a no deal Brexit. It funds a range of projects that can be delivered quickly in year, providing economic benefits which are aligned to our priorities and can stimulate wider economic demand at a time when it is needed most. In making these allocations, proposals were assessed against evaluation criteria which included the provision of value for money and operational readiness for deployment within 2019-20.

## **EU funding**

In relation to funding, you asked what discussions the Welsh Government has had with HM Treasury on how its underwriting of EU funding schemes such as Horizon 2020 and Erasmus+ will work in practice.

Welsh Government officials have regular contact with HM Treasury counterparts about the operation of the UK Government's Guarantee of EU Funding. We have also been clear the

UK Government should negotiate with the EU to enable UK organisations to participate in Horizon 2020, ERASMUS+, Creative Europe and the Wales-Ireland Programme after we leave the EU. Discussions are ongoing with the UK Government about our objectives for future participation, however no negotiations with the EU about the UK's future relationship will be possible until a ratified Withdrawal Agreement is in place.

In response to comment at the Committee meeting of 3 June, that the Welsh Government is preparing for participation in future EU programmes and other EU activities should there be a further extension to Article 50, you enquire about what activities Welsh Government are undertaking as part of this preparation.

A further extension to the period allowed for under Article 50 of the Treaty on the Functioning of the European Union would result in the UK remaining a full member with the ability to participate fully in EU programmes. In order to do so, there would be significant preparatory work required. Officials are considering the implications of this alongside other plausible withdrawal scenarios. The EU is itself preparing for the start of the next multi-annual financial framework. As a full member we are aware of the plans and discussions on future structural and investment programmes and the future of the Common Agricultural Policy. We are considering how our current policy development work maps onto current draft regulations so we are able to reconfigure things quickly if needed to fit to an EU framework. This includes working out critical timescales to meet conditions for funding. This will tell us when decisions are needed to ensure we can meet those conditions if we need to.

### **No deal legislation**

Finally, you ask in your letter if we could give the Committee an indication of what additional legislation may need to be passed by the Assembly to deal with any practical issues identified as part of no deal scenario planning.

In the vast majority of cases, the correcting legislation has created the statutory framework necessary for the statute book to operate after exit day.

We continue to review the need for any emergency legislation that may be required to respond to unforeseeable circumstances which occur after exit day. Should a situation occur where further legislation is required, then we will notify the National Assembly at the earliest opportunity.

I hope these responses to your questions are useful, and thank you once again for your constructive engagement on this issue.

Yours sincerely,



**Jeremy Miles AM**

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