

## European and External Affairs Committee

**Date:** 27 May 2004

**Time:** 09:00 am

**Venue:** Committee Rooms 3 and 4, National Assembly for Wales

**Title:** EURO PREPARATIONS UPDATE

### Issue

1. As requested at the last meeting, this paper updates the European and External Affairs Committee on Euro preparations in Wales.

### Background

2. During the 2004 budget the Chancellor reiterated his decision of 9 June 2003 that the economic conditions are not yet advantageous for the UK seek membership of the European Single Currency (the Euro). Government policy, however, remains the same, if and when the conditions are right the Government will ask Parliament and the British people to decide whether the UK joins the Euro.

3. The Third Outline National Changeover Plan (published June 2003) confirmed:

- A national referendum to be held four months after a government decision to join.
- A 30 month changeover period following the referendum.
- A preferred E-day (Euro cash introduced and end of transition) of 6 April.

4. A copy of the Outline National Changeover Plan has been circulated to members since the last meeting.

5. In order to achieve a 6 April date in any year a decision would have to be made at the latest in June three years earlier, a referendum held in the following October, allowing the 30-month changeover period to commence in November of that year. For example, if the Chancellor announces in the March 2005 budget that he has decided to reconsider the Five Tests, the earliest possible date for Euro conversion would be 6 April 2008.

## **National Changeover Preparations**

6. HM Treasury has overall responsibility for Euro changeover planning throughout the UK. Government departments and the Devolved Administrations assist HM Treasury with planning and ensure that local policy issues are considered in national planning. This is achieved through HM Treasury Committees involving both Ministers and officials as well as regional Euro preparation committees.

## **Wales Euro Preparations Committee**

7. Within Wales, changeover preparations are being led by the Wales Euro Preparations Committee (WEPC), chaired by the Secretary of State for Wales. WEPC has met on three occasions and membership consists of organisations from the principle economic sectors of the Welsh economy. These include the Farmers Unions, CBI, Consumer Council, NHS, Local Authorities and Welsh language Board. The Welsh Assembly Government is represented by the First Minister, the Minister for Finance, Local Government and Public Services and the Permanent Secretary.

8. The Committee has provided feedback on various HM Treasury planning documents, agreed a Welsh language policy for changeover documents and identified that SMEs , vulnerable groups and the geographically isolated within Wales may need special attention in the HM Treasury Euro changeover Communication Plan.

9. WEPC has met on three occasions to date. During the meetings, the following issues were considered:

### **28<sup>th</sup> July 2003**

- Terms of Reference & Forward Work Programme.
- Presentation by HM Treasury on Third Outline National Changeover Plan
- Consultation exercise in Wales. Members were invited to consider the implications of a possible changeover to the Euro in their area of work and provide feedback to the next meeting.

### **25<sup>th</sup> September 2003**

- Consultation exercise in Wales – The Wales Office presented a paper on the findings of the consultation exercise agreed at the first meeting. For the most part members identified issues which would be common to the UK as a whole and which were addressed in the National Changeover Plan. Members recognised that the needs of vulnerable groups in geographically isolated areas and the Welsh language would be of particular significance in Wales.

- Presentation by HM Treasury giving an overview of the Euro preparations work being taken forward within sectors across the UK and feedback from the first meetings of the Euro Preparations Committees in Scotland and Northern Ireland.
- Consideration of further work needed in Wales:
  - sub group to consider vulnerable groups. This was agreed but subsequently dropped as the issues were being addressed centrally. One member of WEPC was invited to join the Treasury working group in this area.
  - sub group to consider needs of business. The Committee saw no need for such a group at this time.

## **11<sup>th</sup> March 2004**

- Euro Preparation Unit update from HM Treasury
- Communications presentation. The group considered and commented favourably on the Treasury draft Communications Plan.
- Round the table discussion by members on issues raised in the meeting.

## **Role of Government Departments**

10. The Welsh Assembly Government and other Devolved Administrations are assisting HM Treasury activities by working to ensure that they, and those bodies for which they are responsible, are aware of Euro changeover issues and have adequate 'Changeover Plans' in place. The aim is to ensure that an effective changeover would be delivered within the time-scales set out in the third outline National Changeover. The Welsh Assembly Government and HM Treasury officials are in contact, and have held meetings, with Assembly Sponsored Public Bodies. HM Treasury are liaising with Welsh Local Authorities and the NHS in Wales on appropriate levels of changeover planning.

## **Welsh Assembly Government Preparations**

11. HM Treasury have requested all Government Departments to produce a 'Changeover Plan'. The plan should identify those areas such as Training, Communications and IT systems that need to be considered in the event of a Euro changeover and specifically what measures would need to be in place to ensure that services could be provided within the specified timetable of a Euro changeover. Planning is high level and is aimed at ensuring:

- Conversion is completed on time
- Services to customers are not disrupted.
- Internal operations run smoothly without interruption.

- Revenue flows are not interrupted either into or out of the building.

12. HM Treasury ideally would like all Government Departments to have completed initial Euro changeover by the end of the year. After completing the plans it is expected that the departments will update their changeover plans at regular intervals.

13. To assist our changeover planning, the Euro Preparations Unit in HM Treasury have, since November 2003, seconded an officer to the Assembly Government for 2 days per month.

14. The Assembly Government is presently updating its Changeover Plan. The format of the revised Changeover Plan will be an overall Assembly Plan (with crosscutting themes such as training, communications and IT) underpinned by individual Group Plans.

15. There are some good examples of departments in the Assembly already engaged on Euro issues. CADW, is a prime example and is already accepting the Euro at all sites (from Easter 2004). Also, following installation of a new IT system, Common Agricultural Policy Management will be able to pay grants in the Euro from early 2005.

## **Conclusion**

16. While a decision has not yet been made on whether it is advantageous for the UK to join the single currency it is considered sensible risk management and good business practice to prepare for the possibility and incorporate Euro considerations into ongoing business planning.

**Rhodri Morgan AM**  
**First Minister**