

## Council for Economic Renewal Meeting

Notes of meeting held at 09:30 on Thursday 26 January 2017 in Conference Room 6, Welsh Government Offices, Cathays Park, Cardiff.

### Ministers in Attendance

Name	Organisation
Ken Skates AM	Cabinet Secretary for Economy and Infrastructure
Julie James AM	Minister for Skills and Science
Mark Drakeford AM	Cabinet Secretary for Finance and Local Government

### Stakeholders in Attendance

Amy Bainton	FSB
Alex Bevan	Wales TUC
Jean Church	IoD
Julie Cook	Wales TUC
Ben Cottam	FSB
Heather Eason	WSPU
Ifan Glyn	FMB
Nick Ireland	Wales TUC
Leighton Jenkins	CBI
Nigel Keane	WSPU
Lowri Morgan	The Law Society
Martin Mansfield	Wales TUC
David Morgan	RICS
Heather Myers	South Wales Chamber of Commerce
Lloyd Powell	ACCA
Ian Price	CBI
Derek Walker	Wales Coop
Martin Warren	ICAEW

### Apologies

Rt Hon Carwyn Jones AM	First Minister
Paul Byard	EEF (Chair of Commerce Cymru)
Ian Gallagher	Freight Transport Association
Robert Lloyd Griffiths	IoD
Julie-Ann Haines	CML
Mark Harris	Home Builders Federation
Mark Judd	WSPU
Huw Thomas	NFU

### Welsh Government Officials

Sir Derek Jones	Permanent Secretary
James Price	
Tracey Burke	
Judith Cole	Agenda Item 4
Neil Hemington	Paper to Note - National Development Framework
Huw Morris	Agenda Item 2
Mick McGuire	Paper to Note – Development Bank of Wales
Jonathan Price	
Jo Salway	Agenda Item 5
Gareth Williams	Agenda Item 3
Jane Anstee	Note taker
Derek Goode	Note taker

## **1. Introductions & Opening Remarks**

1.1 The Cabinet Secretary for Economy and Infrastructure welcomed members and offered apologies from the First Minister who was unwell and unable to attend. The Cabinet Secretary introduced the Minister for Skills and Science and the Cabinet Secretary for Finance and Local Government before setting out the five main agenda items:

- Apprenticeship Levy
- EU Transition - Update
- Local Government Reform
- Cross Cutting Strategies
- New Arrangements for the Council.

1.2 The Cabinet Secretary for Economy and Infrastructure added that there were two papers to note on the National Development Framework and the Development Bank of Wales.

## **2. Apprenticeship Levy**

2.1 The Cabinet Secretary for Economy and Infrastructure asked the Minister for Skills and Science to present this item and its supporting paper.

2.2 The Minister for Skills and Science explained that apprenticeship policy in Wales focuses on those apprenticeships that will support economic growth, increased productivity and social mobility.

2.3 The Minister reflected on the pace of economic and technological change against which the approach to apprenticeships must deliver. She added that the Welsh Government has committed to deliver a minimum of 100,000 quality, all age apprenticeships over the current Assembly term.

2.4 The Minister explained the apprenticeship policy plan which is to be published next month and will set out investment priorities in five areas:

- addressing skill shortages through developing apprenticeships in growth sectors and emerging occupations;
- developing higher-level skills, focusing on apprenticeships at higher-level apprenticeships, particularly in STEM routes where returns tend to be higher;
- increasing the take-up of apprenticeships amongst 16-19 year olds, reflecting our commitment to supporting younger apprentices; and
- delivering a larger number of apprenticeships through the medium of Welsh or bilingually.

2.5 The Minister explained that the Welsh Government will increase its investment in apprenticeships by an additional £15m annually. This investment will help employers who may be disadvantaged as a result of the Apprenticeship Levy.

In 2017-18, there will be an increase in the Welsh Government's budget for apprenticeships from £96m to £111m. The Minister emphasised that this increase will be despite there being no noticeable additional funding available to Wales as a result of the levy.

2.6 The Minister set out how this would work and the proposals which include:

- Regional Skills Partnerships consulting with levy-paying employers to determine skills demands to decide where best to invest;
- establishing a team of advisors to support levy-paying employers where the training falls in-line with priority sectors.
- publishing a factual guide for Welsh levy payers which set out the approach in Wales and how they can access the programme;
- addressing the issue of levy-paying employers who operate between nations. Where apprentices spend at least 51% of their working hours in Wales over the duration of the apprenticeship, they will be eligible for Welsh funding. This reflects the approach being taken in England;
- delivering apprenticeships at higher levels in technical areas and priority sectors;
- recognising that employers will continue to have workforce development needs for flexible, short-term programmes in non-priority areas;
- channelling investment to where it will have the greatest impact and continuing to work with employers to make sure that apprenticeships meet their needs.

2.7 The Minister sought views on the Apprenticeship Levy proposals and supporting paper.

2.8 Ian Price thanked the Minister for the paper. He stated that good progress has been made since the autumn and credit was due for the approach being taken. He agreed establishing an advisory team was an excellent proposal as was the fact that non priority sectors would be given consideration.

2.9 Ben Cottam welcomed the opportunity to engage on this issue. He stated that whilst he would have preferred a better reflection of SME interests in the work on the foundation economy, the establishment of the advisory group was a positive development. He stated that having SME representation on the advisory group was crucial and he asked the Minister to keep them informed of progress.

2.10 The Minister explained that an employability plan is being developed that is to include apprenticeships and other training. This will mean that Wales will have a wider range of approaches than those being taken in England. For example, it will consider people not in work, apprenticeships above level 3 and also maintaining existing work based interventions other than apprenticeships.

- 2.11 Ian Price reflected on the need to communicate developments to businesses in Wales who are managing their budgets for training including apprenticeships.
- 2.12 Martin Mansfield commented that if Wales had followed the model being implemented in England it would have undermined the approach in Wales. He stated that it is very important that we do not lose the high end apprenticeships so that people can develop themselves at whatever point of their career.
- 2.13 Lloyd Powell stated that employers and training providers consider there is a need to increase awareness of apprenticeship options amongst career teachers in schools and elsewhere. This will help raise profile of apprenticeships compared to education or employment.
- 2.14 Janet Church thanked the Minister for the frank discussion on this subject and the succinct information provided. Janet commented on the changing nature of the labour market and the need to horizon scan to keep pace with that change. Janet also queried how the approach to apprenticeships might affect large companies who operate cross-border.
- 2.15 Heather Myers thanked the Minister and said she was very supportive of the proposals. She suggested a guide for members would be useful and also raised the issue of companies whose operations straddle different UK Nations.
- 2.16 The Minister provided these responses to the questions raised by members:
- career advice on apprenticeships is provided to schools in the Common Area Prospectus which currently applies for children aged 16 but in future this could potentially be extended to pupils at 14; and
  - The Minister had undertaken discussions on the cross border issues and agreed a way forward where the standards will be transferable.
- 2.17 The Minister also stated that she had spoken to large companies about the changes and best way to operate within the UK Levy structure.
- 2.18 Ian Price stated that large businesses understood this was a UK Tax and did not expect to be able to recover the full charge and that most realised that 50% would be a good outcome.
- 2.19 The Cabinet Secretary for Economy and Infrastructure thanked everyone for their views.

### 3. EU Transition - Update

- 3.1 The Cabinet Secretary for Economy and Infrastructure explained that this agenda item provides an update on developments since last October's meeting. In particular, there have been some headline developments this week.
- 3.2 The Cabinet Secretary for Economy and Infrastructure said he would:
- briefly outline the Welsh Government's White Paper "Securing Wales' Future", which was launched on Monday;
  - speak briefly about the outcome of the Supreme Court hearing on Tuesday<sup>1</sup>; and
  - invite Mark Drakeford to make additional comments on recent dialogue with the UK Government.
- 3.3 The Cabinet Secretary for Economy and Infrastructure said that the Welsh Government's detailed policy statement on the UK's exit from the European Union has been published<sup>2</sup> and hard copies are available. The position in the statement has been drawn up jointly with Plaid Cymru and therefore carries the support of at least three of the parties represented in the Assembly.
- 3.4 He explained that the published paper makes six main points:
- Single Market and International Trade – the Welsh Government believes that full and unfettered access to the single market for goods, services and capital is vital to the future interests of Wales;
  - Migration – the rights of all EU citizens living in Wales should be guaranteed immediately. Wales will continue to need EU migration to sustain its private sector economy and public services. Apart from students and those able to sustain themselves independently, freedom of movement should be linked to employment;
  - Finance and investment – Wales is a net beneficiary of EU membership and currently receives around £680 million in EU funds. Whilst the UK Government has largely guaranteed funding for projects agreed prior to 2020, it is vital that Wales is not worse off in the longer term;
  - Constitutional and devolution issues – the scale of change requires new ways of working between the nations of the UK in a spirit of equal partnership and respect for the devolved settlement;

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<sup>1</sup> <https://www.supremecourt.uk/news/article-50-brexite-appeal.html>

<sup>2</sup> <http://gov.wales/newsroom/firstminister/2017/170123-brexite-plan/?lang=en>

- Social and Environmental Protections – in its 40 years of membership a substantial body of legislation has developed which protects Wales’s well-being. This includes environmental legislation and rights for workers. In leaving the EU we will insist that these rights and protections are not eroded; and
  - Transition Arrangements – exiting the EU will be a complex and time-consuming process. The Welsh Government believes there is a need for the UK Government to negotiate a transitional phase to remove some of the uncertainty associated with such large scale change.
- 3.5 The Cabinet Secretary for Economy and Infrastructure welcomed the Supreme Court judgement that means that the UK Government must seek parliamentary approval before triggering Article 50. He then invited the Cabinet Secretary for Finance and Local Government to update the Council on recent discussions.
- 3.6 The Cabinet Secretary for Finance and Local Government explained that we were in a period of significant developments. He reported that the First Minister had recently met with the UK Government’s Secretary of State for Exiting the European Union, David Davis MP, and key points from that meeting were:
- the First Minister had emphasised that free and unfettered access to the Single Market was the number one priority for Wales;
  - the Secretary of State had stated that the purpose of the UK Government’s Repeal Bill would be to convert EU laws into UK legislation;
  - the UK Government intended to press ahead quickly in seeking Parliamentary approval to trigger Article 50; and
  - the First Minister had made very clear his view that current inter-governmental machinery was no longer fit for purpose in dealing with the scale of constitutional change that lay ahead.
- 3.7 The Cabinet Secretary for Finance and Local Government commented that whilst the Supreme Court judgement did not go as far as hoped in requiring the consent of the devolved administrations to trigger Article 50, the Welsh Government would continue to seek to influence the UK Government’s negotiating position.
- 3.8 Prior to inviting comment and observations, the Cabinet Secretary for Economy and Infrastructure thanked the FSB for its’ research<sup>3</sup> on ‘What Small Firms Want from Brexit’.
- 3.9 Ben Cottam offered his thanks for the up to date position of Welsh Government. He provided a brief outline of the results of the FSB’s research, which he said had similar themes. The main points from that research were:

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<sup>33</sup> <https://www.fsb.org.uk/media-centre/press-releases/small-businesses-speak-out-on-brexite>

- Ease of access to market is imperative for exporting companies
  - The danger of a cliff edge situation is a major concern
  - Collaboration and clarity are essential
  - Emerging concern is on tariff levels if and when they are introduced
  - Growing concern over regulatory divergence post Brexit
  - EU workers with skills must be allowed to remain in the UK post Brexit
  - Everyone understands this is going to be a long process.
- 3.10 Lowri Morgan said that it was essential that the UK's devolved governments co-operate with each other to resolve the issues that the Brexit process may bring.
- 3.11 Martin Mansfield welcomed the cross party co-operation in Wales in the White Paper and EU transition issues in general. He said that it was essential that a Wales voice was heard so that Welsh interests are safeguarded. He said that workers and EU citizen's rights should be foremost in the negotiations. Whilst agreeing that rights should not be weakened and a race to the bottom avoided, he said that we should have the ambition to enhance rights not just maintain them.
- 3.12 Heather Myers said that she was supportive of the stance in the White Paper but that more certainty was needed so that businesses could plan.
- 3.13 Ian Price agreed with Heather's point and said that in the absence of clarity on the UK Government's position his members were just getting on with things.
- 3.14 Ben Cottam said the uncertainty and possible deficit in funding beyond 2020 was a major concern and asked the Welsh Government what they are doing on this issue.
- 3.15 David Morgan queried what extra powers might come to the Welsh Government from the EU transition negotiations.
- 3.16 The Cabinet Secretary for Finance and Local Government thanked everyone for their contributions to the discussion and the FSB for its report.
- 3.17 The Cabinet Secretary for Finance and Local Government responded by setting out the Welsh Government's position to the points raised by members:
- the White Paper emphasised the need for a transition process and the Welsh Government would continue to press on this;
  - free and unfettered single market access was the number one priority – the White Paper was clear on the damaging impact of any significant reduction in access;
  - that Wales must continue to be an open and tolerant society;

- it was important to retain workers and citizens rights and there was a need for a change in the relationship between the four nations and in particular more equality and joint decision making between the four members of the UK.

3.18 The Cabinet Secretary for Economy and Infrastructure thanked everyone for their contributions.

#### **4. Local Government Reform**

4.1 The Cabinet Secretary for Economy and Infrastructure explained that local government faced many challenges, not least the need to build greater consistency, resilience and to improve service provision. He said that local authorities also need to be active and effective partners in promoting economic development. He asked the Cabinet Secretary for Finance and Local Government to present the paper.

4.2 The Cabinet Secretary for Finance and Local Government explained that on Tuesday 31 January the Welsh Government will publish a White Paper which is a culmination of intensive engagement and discussion with local authorities. He explained that the paper sets out five key issues facing local authorities:

- Financial challenges
- Delivery of better outcomes for citizens
- Simplifying and carrying out service planning at an appropriate scale
- Valuing and providing opportunity to the local government workforce
- Building a model of prudent public services for citizens.

4.3 The Cabinet Secretary added that the paper sets out a proposed way forward to meet the challenges of reduced budgets and increased demands on services developed through that process of discussion with Leaders and others. The proposals retain the 22 local democratically elected councils but provide for regional working to plan and deliver a range of local government functions. This would build on existing increased regional working but would be done on a more systematic and mandatory basis.

4.4 It proposes that three of the key functions - economic development, transport and land use will be organised around the three City Regions footprints with other functions organised at smaller footprints.

4.5 The Cabinet Secretary for Economy and Infrastructure offered his thanks for the introduction to the paper and invited views.

4.6 Martin Warren agreed that the proposals must be driven forward to reduce costs and to bring down artificial boundaries that currently exist. He felt that the City Region footprint was a good one but that it should be extended beyond economy, transport and land use.

4.7 Jean Church said that she hoped that Local Government Reform would not create further complexity.

- 4.8 Ian Price said he agreed with the principle of organising some local authority functions around City Regions but asked how the Welsh Government would measure the success of this change.
- 4.9 Ben Cottam welcomed the mandatory collaboration principle and had confidence it would work. He suggested there needs to be work on the branding of the City Regions.
- 4.10 Martin Mansfield recognised the challenge of increasing demands and decreasing resources. The very robust position being taken following meaningful dialogue was good but he was keen that the proposed changes were now delivered and the focus should now move on from structure to delivering.
- 4.11 Heather Myers commented on the need for reform to be easily understood and implemented in a way that does not complicate relationships and increase complexity.
- 4.12 Ifan Glyn expressed a concern that City Regions with larger scale development plans may make it harder for small companies to navigate the system.
- 4.13 The Cabinet Secretary for Finance and Local Government acknowledged the concerns raised. He was aware of the variety and scale of changes facing members. He stressed that the approach would need to be designed to simplify rather than complicate processes.

## **5. Cross Cutting Strategies**

- 5.1 The Cabinet Secretary for Economy and Infrastructure explained that Taking Wales Forward<sup>4</sup> sets out the four key cross-cutting themes:
- Prosperous and Secure;
  - Healthy and Active;
  - Ambitious and Learning; and
  - United and Connected.
- 5.2 The Cabinet Secretary for Economy and Infrastructure highlighted that work was now underway to develop cross-cutting strategies that would support the Taking Wales Forward themes. The Cabinet Secretary said that he is leading the work on the Prosperous and secure strategy.
- 5.3 The Cabinet Secretary for Economy and Infrastructure said that he had recently discussed with the UK Government the UK's Industrial Strategy and opportunities to work constructively on areas which will benefit business and the economy in Wales.
- 5.4 David Morgan said that liaison with the UK government was essential on areas of shared interest.

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<sup>4</sup> <http://gov.wales/about/programme-for-government/?lang=en>

- 5.5 Ben Cottam welcomed the strategic work. He suggested that the Welsh Government's approach should adopt principles from the UK's Industrial Strategy.
- 5.6 Nick Ireland said the Welsh Government was being innovative in taking forward the better jobs closer to home agenda and agreed that silo working had been a problem in the past. He emphasised the Wales TUC's role as important Stakeholders in this process.
- 5.7 Martin Warren said that the cross-cutting approach was a very positive approach that would hopefully link up activities of different departments effectively.
- 5.8 Jean Church welcomed the level of collaboration that was being proposed and the fact that there was recognition of life style changes taking place in society.
- 5.9 The Cabinet Secretary for Economy and Infrastructure thanked members for their contributions and in summing up the discussions highlighted the importance of the National Infrastructure Commission's Report, particularly in relation to cross-border developments. He also recognised that aspects of the UK Industrial Strategy impact upon devolved areas, but that the Welsh Government would seek to engage constructively.

## **6. New Arrangements for the Council**

- 6.1 The Cabinet Secretary for Economy and Infrastructure explained that the work of the Council was greatly valued by the Welsh Government. This fact was illustrated by the importance that Ministers place on attending the Council in person to hear views of the Members first hand.
- 6.2 The Cabinet Secretary for Economy and Infrastructure said that it was his view that the Council performed three key roles:
- providing Council members with the opportunity to inform and influence the Welsh Government's approach;
  - benefiting Welsh Government through the challenge and advice received; and
  - providing a channel through which the Welsh Government can keep members updated on latest developments.
- 6.3 Following discussions that have taken place at this Council with members, the Cabinet Secretary for Economy and Infrastructure said that the time was now right to refresh and strengthen the Council's working arrangements. Reflecting the views of the Working Group the changes proposed include:
- changing the name from the Council for Economic Renewal to the Council for Economic Development;

- greater engagement with post 16 employment and skills policy, through inviting the Wales Employment Skills Board Chair onto the Council;
- the standing down of the Executive Working Group; and
- the formation of a Social Partner Strategy Group to provide more regular and focussed engagement with Ministers.

6.4 Julie Cook said she was pleased that there was now clarity on the new structures and endorsed the changes.

6.5 Ben Cottam said he also endorsed the changes and thanked Tracey Burke for the hard work behind this. He said he recognised working with a diverse group of representatives such as the Council was not an easy task and a good job had been done to achieve consensus.

## **7.0 (7a) Notes and (7b) Actions from meeting held on 20 October 2016**

7.1 The Cabinet Secretary for Economy and Infrastructure said that a note of the meeting of the 20 October had been circulated. Members were asked for comments and to agree the note.

7.2 The meeting note was agreed.

7.3 Action Grid

- Action point 4 is complete. The action was to convene a meeting to discuss and decide new arrangements for the Council. The meeting had been held and new arrangements proposed. The new arrangements had been discussed and endorsed at today's Council Meeting (Item 6).

## **8.0 Any Other Business**

8.1 The Cabinet Secretary for Economy and Infrastructure asked if there was any other business. None was raised.

8.2 The Cabinet Secretary for Economy and Infrastructure commented on the Permanent Secretary's forthcoming retirement and that this Council meeting would be his last. The Cabinet Secretary thanked the Permanent Secretary for his support.

8.3 The Cabinet Secretary for Economy and Infrastructure closed the meeting and thanked the Council members for their contribution and attendance.

## **9.0 Close**