

Council for Economic Development Meeting Note

Time: 10:30 – 12.30

Date: 22 October 2018

Venue: Caerdydd 1, Cathays Park, Cardiff.

Ministers in Attendance

Name	Organisation
Mark Drakeford AM	Cabinet Secretary for Finance
Julie James	Leader of the House and Chief Chip
Eluned Morgan	Minister for Welsh Language and Lifelong Learning
Apologies	
Rt Hon Carwyn Jones AM	First Minister
Ken Skates AM	Cabinet Secretary for Economy and Transport

Stakeholders in Attendance

Paul Byard	EEF (Chair of Commerce Cymru)
Julie Cook	Wales TUC
Ben Cottam	FSB
Heather Eason	WSPU
Sally Gilson	Freight Transport Association
Ifan Glyn	FMB
Paul Greenwood	Wales Employment and Skills Board
Mark Judd	WSPU
Nigel Keane	WSPU
Robert Lloyd Griffiths	IoD
Nisreen Mansour	Wales TUC
Lowri Morgan	The Law Society
Heather Myers	South Wales Chamber of Commerce
Lloyd Powell	ACCA
Ian Price	CBI
Shavanah Taj	Wales TUC
Derek Walker	Wales Coop
Martin Warren	ICAEW
Ceri Williams	Wales TUC

Apologies

Julie-Ann Haines	CML
Mark Harris	Home Builders Federation
Leighton Jenkins	CBI
Michael Jenkins	Wales TUC
Martin Mansfield	Wales TUC
Martin McAuley	RICS
Huw Thomas	NFU

Welsh Government Officials

Dame Shan Morgan DCMG	Permanent Secretary
Paul Casey	Agenda Item 2
Andrew Clark	Agenda Item 5
Paul Harrington	Agenda Item 2
Matthew Hicks	Agenda Item 4
Nick Sullivan	Agenda Item 3
Marcella Maxwell	Head of Economic Action Plan Implementation
Huw Morris	Group Director - SHELL
Andrew Slade	Director General - ESNR
Emma Watkins	Deputy Director - Economic Policy
Adam Jurd	Minutes
Iwan Thomas	Minutes

1. Introductions & Opening Remarks

1.1 The Cabinet Secretary for Finance welcomed Council members to the meeting. He indicated he would chair the first two main agenda items in the absence of the First Minister. The remainder of the meeting would be chaired by:

- the Leader of the House and Chief Whip – leading Professor Phil Brown’s review on Digital Innovation for the Economy and the Future of Work in Wales; and
- the Minister for Language and Lifelong Learning – leading the discussion on apprenticeships.

1.2 The Cabinet Secretary also welcomed Paul Greenwood to the meeting as the Wales Employment and Skills Board (WESB) representative.

1.3 The Cabinet Secretary set out the four main agenda items:

- EU Transition Update;
- National Procurement Service;
- Professor Phil Brown’s review of Digital Innovation for the Economy and the Future of Work in Wales; and
- Apprenticeships.

2. EU Transition Update

2.1 The Cabinet Secretary for Finance provided an update of the headline points regarding EU transition and welcomed questions and comments following the update.

- 2.2 The Cabinet Secretary highlighted the Ministerial Forum met regularly and a further meeting was taking place that morning, covering cooperative accords on Science and Innovation and Culture and Education.
- 2.3 The Cabinet Secretary said he was grateful to those involved with the EU Exit Working Group and for the development of the Business Wales Brexit Portal. He said the Cabinet Secretary for Economy and Transport had a direct interest and remained engaged with employers across Wales in relation to this area.
- 2.4 The Cabinet Secretary for Finance provided an update from the Joint Ministerial Council he attended recently. He reported that the UK government viewed the progress of negotiation on the final Brexit deal as being around 95% complete, and the Secretary of State for Exiting the EU was reasonably confident a deal could be reached in the autumn. However, the Cabinet Secretary stressed that if the main sticking points had not been resolved the negotiations would be problematic. Although the Chequers Plan was viewed as a step in the right direction, there are issues which will be difficult to resolve – such as the Northern Ireland border; splitting services from goods; on the twin-track customs arrangements; and on mobility/migration.
- 2.5 The Cabinet Secretary highlighted that a ‘no deal’ exit from the EU would cause significant disruption to the Welsh economy. A particular issue was around migration. He said differentiating between high- and low-skilled migrant workers was unhelpful as both were needed for the functioning of the Welsh economy. He indicated that placing an arbitrary earnings threshold on migrants would inhibit the necessary access to lower skilled labour.
- 2.6 Regarding legislation, the Cabinet Secretary reported better cooperation but voiced concerns on the tight timescales for delivery. The Welsh Government has a programme of legislation to make the technical corrections required for the statute book to function once we leave the EU.
- 2.7 The Cabinet Secretary said the transition period of just 21 months was not enough and would require flexibility and that a cliff edge should be avoided to allow for a better deal to be struck. The Cabinet Secretary had written to the Head of the European Parliament on the issue of flexibility. He highlighted that the final deal would need to be signed off by all member states and the European and UK Parliaments, potentially making the completion of the process difficult.
- 2.8 Ian Price commented there was a lack of clarity on the direction of travel regarding Brexit. He has seen growing frustration and concern at a recent roundtable in north Wales and more generally from business since the end of the summer. He made the suggestion that businesses should be lobbying

MPs. Furthermore, he saw this as a UK wide issue and there was a need to work with other regions and devolved administrations. The Cabinet Secretary responded that lobbying government was useful and companies such as Ford and Airbus were making clear cases on the impact of Brexit.

- 2.9 Ben Cottam stated he endorsed the Cabinet Secretary's comment on the remaining proportion of incomplete negotiations being a concern. He said many businesses had not prepared for Brexit. He thanked those involved in the work on the Brexit Portal, which demonstrated a desire to help business.
- 2.10 Robert Lloyd Griffiths said he had expressed concerns about the possibility of anchor companies moving out of Wales, adversely affecting supply chains and communities. He suggested that more could be done on communicating opportunities on the Brexit Portal. The Cabinet Secretary later indicated that Business Wales would continue working with stakeholders on the Brexit Portal.
- 2.11 Heather Myers informed the meeting that the British Chambers of Commerce had completed research, indicating 62% of firms had not performed a risk assessment around Brexit (a higher percentage was prevalent for micro and small firms).
- 2.12 Regarding migration, Heather expressed disappointment that the Home Office had not issued a Technical Note. The Cabinet Secretary later informed members that there was a hard line response on migration from the Home Office and he thought a White Paper would be issued soon. He also noted there were over 100 Technical Notes issued, all of which contained bad news for companies – preparing them for worst case scenarios.
- 2.13 Heather asked what the current situation was around skills – indicating it would be difficult for businesses to plan for skills shortages. Heather also inquired about the transition period and the resourcing requirement for the British Chambers of Commerce and Welsh Government.
- 2.14 Paul Greenwood further raised the issue of skills, stating that some industries rely on the EU and migration. He pointed out that both high and low skilled workers were needed by businesses in Wales. Paul said that whilst businesses had initially been calm on the issue of Brexit, there was increasing nervousness within the business community. Importing businesses were particularly concerned, whilst exporting firms were less so because if the pound fell this would mitigate some issues they might face. He said that customers could start to look at other suppliers in the absence of clarity at this stage.

- 2.15 Sally Gilson voiced concerns from the transport and distribution sector, highlighting that Heavy Goods Vehicle drivers and related operatives were being becoming scarce. She reported UK drivers had only 1,200 permits issued but there were over 100,000 movements to cover. This meant most would start to use foreign hauliers. She indicated that installing extra warehouse capacity would be time consuming and expensive. Additionally, she said Welsh ports were not prepared for additional parking requirements.
- 2.16 Paul Byard said a transition period was to be welcomed over a no-deal Brexit, however, without clarity during the transition period this could in itself cause harm to business.
- 2.17 Ben Cottam raised concerns around contracts being written with potential risks associated with Brexit being placed on suppliers. Ian Price also raised the point that companies were beginning to have contracts redrawn in order to pass on the risks associated with Brexit.
- 2.18 Shavanah Taj wanted to know more about the future of regional aid post Brexit and a potential role for the Wales TUC.
- 2.19 Robert Lloyd-Griffiths asked about Civil Contingency Planning at a UK and Welsh level, expressing concern over continuity.
- 2.20 The Cabinet Secretary responded to the issues by commenting that any transition period needs to be as clear as possible, as a period of extended uncertainty could have unintended consequences. On regional aid, he said Wales must get every penny due now and after Brexit and the Shared Prosperity Fund affecting Wales must be fully devolved. He said regional development could not be run from UK government departments in Whitehall. In terms of contingency planning, work is underway and the Cabinet Office was developing a UK plan and Wales will need a proper interface in the process.
- 2.21 The Cabinet Secretary welcomed Julie James AM, Leader of the House and Chief Whip to the meeting.

3. National Procurement Service

- 3.1 The Cabinet Secretary for Finance introduced the paper on the review of the National Procurement Service (NPS). He said Brexit was a key driver in the review and the consultation with stakeholders was very important. The NPS was currently valued in a very narrow area by service users. A reformed NPS would be developed gradually with no cliff edge to users and current contracts would not be abandoned. In future the NPS would be a smaller more focused operation and stakeholders supported to collaborate on a more regionalised

basis and investment would be made with a new cohort of public procurement professionals in Wales.

- 3.2 The approach would involve regional decision making in tune with the Economic Action Plan to strengthen Wales' supply base, in line with Fair Work and decarbonisation etc.
- 3.3 The Cabinet Secretary said he was keen to work with the relevant people so the future arrangement would be flexible. He said the Welsh Government would invest in the skills of public procurement professionals. Procurement had been viewed as a process of 'handle turning' – he said that the new arrangement would move away from this to involve procurement professionals more closely with decision making. Therefore, the development of the skills of procurement professionals would be necessary.
- 3.4 Martin Warren said he would look forward to the changes, indicating there was currently too much focus on pricing within contracts.
- 3.5 Ceri Williams said procurement policy should promote work with collective bargaining and contracts with unions. He asked for any updates on domestic projects including Better Jobs Closer to Home.
- 3.6 Ben Cottam highlighted that procurement should be seen as a positive tool for economic development.
- 3.7 Ian Price asked how Welsh Government would approach Official Journal of the European Union (OJEU) procurement route post Brexit to ensure related benefits would be maintained.
- 3.8 Derek Walker raised the point that it was important to ensure good practice was widely adopted.
- 3.9 Heather Myers said some businesses found it difficult to engage with frameworks and noted the need for flexibility in relation to Brexit.
- 3.10 Paul Greenwood noted that emphasis on quality over cost of contracts would be a welcome change, including focus on workforce skills as part of the evaluation criteria.
- 3.11 The Cabinet Secretary thanked the members for welcoming the new regional focus. He said that although it was a challenge to use procurement as a tool, the NPS has strengths and has driven up the number of Welsh businesses involved. However, it was evident there was a failure to capture the enthusiasm of public sector organisations and suppliers. Regarding OJEU, he highlighted the success in negotiations with UK government, who would replace the current system with a similar arrangement in the short term. He

said it would be necessary to have an appropriate way of accessing Welsh opportunities and Sell2Wales in the arrangement, which had won some support from the UK government.

- 3.12 The Leader of the House gave details of four procurement pilots in Wales. They include: signage; paint; a paper recycling facility; and a licence for Kevlar PPE equipment. The pilots came with a Fair Work element within each of them. The pilots are currently being assessed for the feasibility of scaling up operations.

4. Professor Phil Brown's Review of Digital Innovation for the Economy; and the Future of Work in Wales

- 4.1 The Leader of the House provided an update on the review and on the work of the Expert Panel supporting Professor Brown. She said the review was progressing well there would be an opportunity for further engagement at the end of November following the interim report.

- 4.2 Ian Price discussed the call for evidence process and the timeframe for responses. He also asked if there was the potential to share the paper with the Fair Work Commission; the Leader of the House responded that it had already been shared. Ian also asked if there could be an extension to allow time to respond to the report. The Leader of the House responded that this might be possible if it was viewed quickly, but this was an interim report so there would be the chance to view other versions.

- 4.3 Julie Cook welcomed the paper and was pleased to be able to provide evidence for it. She said she wanted to see the benefits of digitalisation felt fairly throughout Wales.

- 4.4 The Leader of the House discussed changes to public service digitisation, highlighting that the public service required transformation regarding workforce skills. She also said the panel membership had been now strengthened.

5. Apprenticeships

- 5.1 Minister for Welsh Language and Lifelong Learning introduced the item, highlighting the challenging landscape around apprenticeships. She said it was important for Wales to have a high skill, high wage economy and to instil structures to strengthen the voice of employees. The Minister pointed out the value in addressing skills gaps, particularly in a regional context.

- 5.2 The Minister outlined the headline commitment of 100,000 apprenticeships in this Assembly term. She confirmed one-quarter of the target had already been

achieved – comparing favourably to the record in England. The difficulties associated with the Apprenticeship Levy were also raised by the Minister.

- 5.3 The Minister pointed out low value apprenticeships or postgraduate training were not supported. She said she wanted to see more apprenticeships in Science, Technology, Engineering and Maths (STEM) and growth in higher and degree apprenticeships. Degree apprenticeships were introduced this year and throughout next year in areas such as Engineering and Digital ICT. She also said that the Welsh Government would be prioritising initiatives for promoting apprenticeships to young people when they leave school.
- 5.4 Lloyd Powell welcomed the progress on the apprenticeship targets in Wales, together with the work from Business Wales and on regional skills partnerships. He raised the issue of esteem relating to apprenticeships relative to the academic route into work. He also highlighted concern regarding the absence of support for Level 7 apprenticeships. The Minister later responded to the issue of parity of esteem between apprenticeships and academia. She highlighted the need to promote apprenticeships, which would be helped by degree apprenticeships. Careers Wales is also clear on the need for promotion. There was some difficulty in gaining exposure in schools, but this was changing and standards were shifting. Regarding Level 7 apprenticeships, the Minister accepted the frustration in this area but was committed to the current position.
- 5.5 Ian Price commended the targets but said more could be done on apprenticeships. He asked if there was sufficient funding to meet the target. The Minister later responded that funding was in place but more could be achieved with further funding.
- 5.6 Robert Lloyd Griffiths also welcomed the targets on apprenticeships, highlighting the importance of engagement in this regard. The Minister later responded that engagement with businesses had changed and funding for apprenticeships was becoming available
- 5.7 Ben Cottam raised the Have a Go initiative and asked how this linked up with apprenticeships.
- 5.8 Sally Gilson expressed concern about the move away from Level 2 apprenticeships and that not all courses at this level should be dismissed. She raised the issues within transport and logistics post Brexit and the need to upskill workers in this sector. The Minister later responded that Regional Skills Partnerships could be a route to prioritising transport related apprenticeships. On Level 2 apprenticeships, the Minister said this was not being ignored although there was a need to see progress of individuals beyond that level.

- 5.9 Paul Greenwood said there was still work to do for the hearts and minds of students, parents and teachers, who tend to just concentrate on the academic route into work. He said there was an opportunity to review the sectors in Wales which generate the most value and those which may have skills gaps. He also highlighted that the creation of entrepreneurs does not necessarily occur through the academic route. He said that Wales appeared to be behind other areas in the UK on generating entrepreneurs.
- 5.10 Julie Cook provided comments on a number of areas:
- (i) Targets – whilst providers were driving numbers some apprenticeships might not be appropriate;
 - (ii) Strengthening the employer voice (paragraph 7 in agenda item 5 paper on apprenticeships) – there may be a limited role for the worker/learner voice, particularly for vulnerable workers;
 - (iii) Driving inclusivity – the commitment seemed vague and it was unclear how this would work. She said there was no mention of TUC involvement in terms of bargaining with employers;
 - (iv) Focus on Level 3 apprenticeships – this was good but levels 1 and 2 need to be addressed.
- 5.11 On inclusivity, the Minister highlighted the higher proportion of women now taking up apprenticeships but there is more to be done to support people with disabilities and Welsh speakers.
- 5.12 Martin Warren said he partly agreed with the deadweight argument regarding Level 7 apprenticeships. He said that although this may be apparent in large firms, it was less so in smaller or rural businesses.
- 5.13 The Leader of the House expressed interest in engagement on behavioural change and wanted to see incentive schemes for people with disabilities and women to partake in STEM related apprenticeships. However, she said the numbers did not reflect the change and would welcome input from members on practical measures to address this issue.
- 5.14 Robert Lloyd-Griffiths raised the issue of reasonable adjustments in the workplace. He said employers were willing to address this but needed practical support – suggesting Business Wales could have a role. The Leader of the House commented that she had spoken to an employer in her area that had made access more flexible. She also suggested Business Wales could be a forum to address the issue of accessibility.

- 5.15 Julie Cook asked about business involvement in addressing invisible disabilities and autism and indicated Wales TUC wanted to be involved in helping them access apprenticeships.
- 5.16 Shavanah Taj commented that some employers view making reasonable adjustments as a one-off cost, although it should be reviewed on a continual basis.
- 5.17 Ben Cottam also said businesses were not addressing this issue to the required level and there was a need to model best practice. He said the FSB should be involved in this issue.
- 5.18 The Leader of the House commented on the disadvantages disabled people faced in gaining employment. She highlighted that there is a supply of underutilised resource within this cohort which could address skills shortages.

6. (6a) Note and (6b) Actions from meeting held on 18 June 2018

- 6.1 The members agreed the note and actions from the previous meeting and had no further comment.

7. Air Passenger Duty (APD) and Any Other Business

- 7.1 The Leader of the House noted the Welsh Affairs Committee inquiry into the devolution of APD to Wales. She said officials would prepare a statement and circulate to Council members.

<p>ACTION: Welsh Government officials to prepare a statement to circulate to Council members for agreement.</p>
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- 7.2 Ben Cottam informed the Council that they had written to the Chancellor asking him to announce the devolution of APD to Wales in the forthcoming budget.
- 7.3 There were no items of additional business from the Council members.

8. Close