

Council for Economic Renewal Meeting

Notes of meeting held at 09:00 on Thursday 20 October in Conference Room 6, Welsh Government Offices, Cathays Park, Cardiff

Ministers in Attendance

Rt. Hon Carwyn Jones AM	First Minister
Ken Skates AM	Cabinet Secretary for Economy and Infrastructure
Mark Drakeford AM	Cabinet Secretary for Finance and Local Government

Stakeholders in Attendance

Lloyd Powell	ACCA
Emma Watkins	CBI
Leighton Jenkins	CBI
Paul Byard	EEF (Chair of Commerce Cymru)
Martin Warren	ICAEW
Jean Church	IoD
Sarah McMonagle	FMB
Ben Cottam	FSB
Lowri Morgan	The Law Society
Derek Walker	Wales Coop
David Morgan	RICS
Nigel Keane	WSPU
Alex Bevan	Wales TUC
Mike Jenkins	Wales TUC
Martin Mansfield	Wales TUC

Apologies

Julie-Ann Haines	CML
Ifan Glyn	FMB
Ian Gallagher	Freight Transport Association
Mark Harris	Home Builders Federation
Robert Lloyd Griffiths	IoD
Huw Thomas	NFU
Heather Eason	WSPU
Mark Judd	WSPU
Nick Ireland	Wales TUC

Welsh Government officials

Sir Derek Jones	Permanent Secretary
James Price	Deputy Permanent Secretary
Piers Bisson	Agenda Item 3
Tracey Burke	
Des Clifford	Agenda Item 3
Margaret Davies	Agenda Item 2
Mick McGuire	
Huw Morris	
Jonathan Price	
Matt Wellington	Agenda Item 5
Jane Anstee	Note taker
Derek Goode	Note taker

1. Introductions & Opening Remarks

The First Minister opened the meeting by welcoming members and set out the main agenda items:

- Welsh Government Budget
- EU Transition
- Future engagement
- Programme for Government

2. Welsh Government Budget

2.1 The Cabinet Secretary for Finance and Local Government presented this item and its supporting paper. The Cabinet Secretary explained the two objectives that underpinned the Budget:

- Stability – a key objective is the provision of stability and confidence in an uncertain environment;
- Ambition – the Budget seeks to align spend with the Welsh Government's ambitious programme as set out in Taking Wales Forward.

The Cabinet Secretary explained the 2017-18 draft Budget was laid before the Assembly on 18 October and that its development had taken place against a challenging financial backdrop; in particular with regard to the impact on the UK Government's austerity plans and the uncertainty around the content of the UK Government Autumn Statement on 23 November.

2.2 The Cabinet Secretary set out how he had considered a three year revenue budget, but the extent of uncertainty led him to the conclusion that a one year revenue budget would only be possible.

2.3 The Cabinet Secretary said there was greater certainty about capital plans which is why he had taken the decision to publish four year capital plans to help provide a level of certainty for business and other partners. The Cabinet Secretary explained that as the Welsh Government did not have an overall majority, discussions had taken place with Plaid Cymru to allow the Budget to proceed.

2.4 The Cabinet Secretary sought views on the priorities set out in the budget and how social partners might maximise the opportunity to plan for the future.

2.5 Mike Jenkins welcomed the stability and protection to public services offered by the budget proposals. He added that public sector workforce issues should be a priority. He welcomed the four year capital budget proposals, and emphasised that funding for major projects like the South Wales METRO should be prioritised, with a greater ask of the private sector.

- 2.6 Ben Cottam welcomed and recognised the sense of ambition in the four year capital budget. He added that the Welsh Government's commitments to affordable housing, apprenticeships and the metro are key deliverables and committed to working with the Welsh Government over the next 18 months.
- 2.7 Derek Walker thanked the Cabinet Secretary for the detail in the paper. He explained the need for a greater focus on local economic activity, underscored by the transition of Communities First. He emphasised how some of the analysis following the vote to exit the EU had indicated a disconnection between some communities and Government; he suggested that addressing this disconnect through a renewed focus on local economies is important. He referred to the EU funded pre-start work that is helping communities to address this issue.
- 2.8 David Morgan welcomed the paper and emphasised the importance of major infrastructure investment such as the M4 relief road in particular.
- 2.9 Sarah McMonagle welcomed the commitment to 100,000 all-age apprenticeships, but suggested this commitment would need to be complemented by a more detailed skills strategy to target the apprenticeships in appropriate sectors.
- 2.10 The Cabinet Secretary for Finance and Local Government thanked members for the views and concluded by emphasising that the next 18 months need to be used purposefully to plan for the tough times ahead. He commented that capital expenditure will help stimulate investment in vital new infrastructure, in housing, in transport, in jobs and in Wales's future prosperity.

3. EU Transition

- 3.1 The First Minister explained that this agenda item provides an update on developments since the special meeting of the Council in July.
- 3.2 The First Minister emphasised that the Welsh Government was working hard to get the best possible exit terms for Wales. In that regard, the First Minister explained that continued full and unfettered access to the single market was an absolute priority, because any move to impose tariffs or non-tariff barriers would undermine the interests of Welsh exporting businesses and threaten the Welsh offer in the global competition for foreign direct investment. The First Minister emphasised that he continues to be very clear to the UK Government about these priorities.
- 3.3 The First Minister asked the Cabinet Secretary for Finance and Local Government to present the update paper.
- 3.4 The Cabinet Secretary for Finance and Local Government commented that the process of exiting the EU would be neither easy nor swift. The Cabinet Secretary added that the Welsh Government's objectives are two-fold prior to and following the triggering of Article 50:

- i. To help shape the UK Government's negotiating position, particularly where there are devolved responsibilities and/or key Welsh interests at stake;
 - ii To exert as strong an influence as is possible over the detailed negotiations, once Article 50 has been triggered.
- 3.5 The Cabinet Secretary explained that the Welsh Government had set out six priorities immediately following the EU referendum, which can be summarised as:
 - protecting jobs and ensuring business confidence in the aftermath of the referendum;
 - full involvement in discussions on the UK's exit from the EU;
 - continuing full and unfettered access to the EU Single Market
 - security of funding budgeted under current EU programmes;
 - financial reform to ensure fair future funding for Wales; and
 - a new relationship between the devolved and UK governments.
- 3.6 The Cabinet Secretary reported that progress had been made on a number of these. In particular, the Cabinet Secretary commented on the UK Treasury commitment to honour funding of EU projects agreed prior to the UK's withdrawal. However, he added that this pledge was insufficient given that it is possible that the UK could exit the EU before 2020 (the end of the current programme period). Moreover, the UK Treasury's current position also ignores the potential that Wales will have qualified for significant funding post 2020. The Welsh Government was, therefore, pressing the UK Government to honour the commitments made by the leave campaign that Wales will not lose any of the funding it currently receives.
- 3.7 The Cabinet Secretary re-emphasised the importance of full and unfettered access to the single market, he also expressed concerns about the economic impact on the Welsh economy and public services of potential restrictions on free movement. He said the European Advisory Group which has been established by the Welsh Government, comprising business leaders, politicians and others with specific European expertise and interest, provides an important source of advice.
- 3.8 The Cabinet Secretary asked that the Council did not share the paper titled "in confidence" for Agenda Item 3 outside the room, as it contains in confidence information.
- 3.9 Jean Church commented that IoD members were concerned about the lack of clarity from the UK Government on their negotiating position. This uncertainty was not a conducive environment in which business could take long-term decisions. She considered that continued uncertainty will lead to IoD members re-focussing on trading within the UK.

- 3.10 Emma Watkins agreed on the importance of securing full access to the single market. She also emphasised concern about the economic and business impact of any restrictions on free movement and also pointed to some modelling work being undertaken by the CBI to look into the wider impact of exiting the EU.
- 3.11 Martin Warren said that he welcomed the update paper. He emphasised that EU funding underpins key elements of business support in Wales and emphasised the need to look at contingencies should this funding not be available in future.
- 3.12 Martin Mansfield said that Wales must have its voice heard at the negotiating table. He explained that exiting the EU would provide industrial and social challenges that will need serious consideration. In this context, he felt that there was a need for Welsh Government to revisit its economic advisory and delivery structures.
- 3.13 Ben Cottam welcomed the paper. He saw continued access to the EU single market as very important to his members, and he expressed concern that small companies might find their access reduced. He also commented on the impact on business of potential restrictions in free movement, and any expectation that business should have a role in policing migration issues in relation to workers. He added that the European Advisory Group might benefit from the inclusion of a small business representative.
- 3.14 Lloyd Powell welcomed the paper. He emphasised the importance of securing access to the single market and European Financial Passport rights.
- 3.15 The First Minister concluded the discussion by emphasising the complexity of exiting the EU and the challenges of the UK Government having to negotiate with the EU and 27 other member states. This included Spain, whose Parliament had threatened to veto any deal unless there is also movement from the UK Government on the future status of Gibraltar. He emphasised how disappointing, and damaging to confidence, it was that the UK Government has so far not been able to offer a coherent outline of its broad approach to EU negotiations. The First Minister continued that there was mixed messaging from the UK Government around core issues such as single market access, the status of EU citizens in the UK and the UK's future approach to free movement.

The First Minister emphasised that in his view, the EU will negotiate hard on the terms on the UK's exit, as a deterrent to other member states who might entertain similar thoughts of exit. He was also concerned that the UK Government may seek to prioritise certain sectors in any negotiations, and that this may come at the expense of other sectors like manufacturing. The First Minister said that he would continue to promote and safeguard Welsh interests, with full and unfettered access to the single market remaining the key priority. The First Minister emphasised this point by reflecting on his recent trade visit to the USA, where the message received from business leaders and international investors was one of major investment decisions being put on hold until the nature of the UK's future trading relationships is clear.

4. **Future Engagement**

- 4.1 The First Minister explained there were three papers related to the agenda item. He commented that whilst there are different perspectives from each of the social partners reflected in separate papers, there is a clear appetite to refresh the approach to advisory structures. The First Minister explained that in considering these papers he wanted the Council to discuss two issues, (i) the role and shape of the Council going forward and (ii) the approach to the wider advisory architecture. He stated that the objective is to ensure that the approach to engagement is fit for purpose and the views of the council members are important in this.

The three papers to discuss were:

- A Welsh Government scoping paper on the approach to future advisory structures, focused on the business and economy advisory architecture;
- A Wales TUC paper on economic delivery and social partnership structures; and
- A Commerce Cymru paper on social partner engagement with the Welsh Government.

The First Minister asked Martin Mansfield and Paul Byard to present the Wales TUC and Commerce Cymru papers.

- 4.2 Martin Mansfield explained that the Wales TUC paper must be viewed through the prism of the Wales TUC paper on social partner engagement at the July meeting, in addition to the context of the economic challenges that Wales faces. He made the following additional points:
- The need to develop an advisory and delivery architecture that is adaptable, clear, and which attends to existing overlapping remits and blurred responsibilities;
 - That there is a role for the Council in performing an advisory type function, gaining feedback from both sides of industry, incorporating the views of specific sectors and HE/FE;

- That there is a sense of urgency around the need to take action quickly to ensure fit for purpose and effective stakeholder engagement;
 - The need for a single, coherent, regional delivery structure, and a focussed strategy group that would be able to discuss issues in real-time with Ministers.
- 4.3 Paul Byard commented on the significant challenges faced by the Welsh economy and that this required immediate action to protect and future-proof the Welsh economy. He referenced the need for an Economic Strategy and an Industrial Strategy. He emphasised the importance of the Welsh Government listening to business and referenced the recommendation in the paper that a Business Advisory Group be established.
- 4.4 The Cabinet Secretary for Economy and Infrastructure commented that he is pleased and impressed with the input from the Council and the level of interest and engagement. He added that engaging meaningfully is complex, but themes emerging are similar, such as the importance of skills and infrastructure. He said that he is pleased with the papers, which have common strands running through them, including avoiding duplication and a having the right regional structure.
- 4.5 The Cabinet Secretary for Economy and Infrastructure said that he has asked for views from stakeholders on economic priorities. As part of this work he was also considering the future shape of advisory structures. He drew attention to the need to simplify and streamline advisory structures as a common theme. He added that there are four cross-cutting strategies, with the Prosperous and Secure Strategy the most relevant to the economy, but that the other three strategies will also have a significant economic thread. The aim of these strategies was to enable and promote joined-up action across Government.
- 4.6 The Cabinet Secretary for Economy and Infrastructure commented that given the different perspectives of the social partners that it may be difficult to reach a consensus at the meeting – he suggested a smaller group of social partners may wish to consider these issues.
- 4.7 Derek Walker commented that he agreed with much of the broad thrust of the papers, and in particular the need to simplify engagement structures. He suggested that the way forward ought to be reflected upon, with perhaps form following function, so that any new structures are based upon emerging thinking in the new economic strategy.
- 4.8 Emma Watkins commented upon the need to focus on outcomes and that it would be difficult to be prescriptive on new advisory structures prior to be sighted on the outcomes, priorities and objectives of the new economic strategy.
- 4.9 Paul Byard reflected upon the view that any changes to advisory structures should follow the economic strategy and asked whether a timescale ought to be set.

- 4.10 Ben Cottam commented upon the complexity of advisory structures and the differing views on how these ought to be addressed. He stressed that clarity is needed first on the economic priorities before firm decisions can be taken on the appropriate advisory architecture. He suggested that a Business Advisory Group (as set out in the Commerce Cymru paper) would be usef
- 4.11 Martin Mansfield commented on the Business Advisory Group in the context that the Wales TUC has a single collective voice, which contrasted with business representation. He emphasised the need for fair and equal treatment of both sides of industry.
- 4.12 Martin Mansfield also suggested that the challenges were such that it would not be appropriate to await the outcome of strategic work before attending to advisory and delivery structures. The need to tackle entrenched disadvantage in parts of Wales will require a regional delivery structure.
- 4.13 David Morgan emphasised that the economic strategy work should come first and then the structure.
- 4.14 Jean Church acknowledged that the existing structures were too varied and complex. She said a keep it simple approach is needed and that clarity is needed on the direction of travel before decisions are taken. She welcomed the idea of a business advisory group.

ACTION: The First Minister said that agreement could not be reached today and suggested that more work that needed to be done by the Executive Working Group. Both the First Minister and the Cabinet Secretary for Economy and Infrastructure will participate in that meeting to be arranged at a date within the next two weeks.

- 4.15 Martin Mansfield pointed out that paragraph 12 of the Commerce Cymru paper refers to taxation and planning. Martin explained that these issues were also of importance to the people of Wales and not just businesses.

5. Programme for Government

- 5.1 The First Minister explained that Taking Wales Forward sets out key cross-cutting commitments that will help make the people of Wales:
- Prosperous and Secure;
 - Healthy and Active;
 - Ambitious and Learning; and
 - United and Connected.
- 5.2 The First Minister said that Taking Wales Forward reflects the Welsh Government's desire and commitment to working collaboratively.

- 5.3 The First Minister added that the next five years are critical and the challenge for him is to ensure joined-up policy and delivery. The First Minister said that the Programme for Government is deliberately cross-cutting. The First Minister added that the document is intended to be shorter and more comprehensible to the public than its predecessor.
- 5.4 Martin Warren said that it was good that broadband was reflected as a key commitment. However he did feel that other telecommunications issues could have had a stronger emphasis.
- 5.5 The First Minister agreed that connectivity is critical and that Superfast Cymru is helping with that, and 96% of premises in Wales will have access to broadband by next summer.
- 5.6 Martin Mansfield welcomed the overall approach and said that he would like to discuss in detail the commitments contained in Taking Wales Forward at an opportune time.
- 5.7 Martin Mansfield added that Taking Wales Forward was very significant for employees, in particular commitments like better jobs closer to home are highly relevant. He did have a concern about the proposals for the not for profit rail franchise but said he would write to the Cabinet Secretary for Economy and Infrastructure separately on this issue.
- 5.8 Emma Watkins said that the offer of free childcare for 3-4 year olds was welcomed as it may encourage more people into work. She asked if the First Minister was able to set out the timescale for this offer.
- 5.9 David Morgan said that the apprenticeship scheme needs to support businesses and the proposed large scale infrastructure projects. He asked for more detail on how the apprenticeship scheme would operate.
- 5.10 Ben Cottam commented on the importance of thinking of the next generation of the workforce and to do this effectively we need to integrate education and business better. He added that there is a need to give young people experience of work and that ideally this should be before they get to secondary level education. Ben added that he would feed in the outcome of the work that the FSB is currently doing in this area.
- 5.11 The First Minister said that the childcare provision of 30 hours for 3-4 year olds would be for those parents working more than sixteen hours. He added that he is aware that there are issues with capacity and cost in some parts of Wales and the Welsh Government is looking into this. The First Minister added that the pilot would start in September next year.
- 5.12 The First Minister said that whereas Scotland has more choice regarding their rail franchise model, Wales was forced to go for the not-for-profit model. He added that the Welsh Government would safeguard the terms and conditions of workers.

- 5.13 The First Minister said that unemployment levels in Wales are now much lower than in the past. The key challenge today is not the quantity of jobs but the quality and security of employment. The First Minister has talked to people in Wales about their concerns. These include the security of jobs, zero hours, low pay, lack of pensions, part time working and lack of progression opportunities. The First Minister said that despite low unemployment levels, people do not feel the security that their parents had.
- 5.14 The Cabinet Secretary for Economy and Infrastructure responded to the point made by David Morgan about apprenticeships. He cited the partnership in North Wales where schools and business are working together effectively to ensure workers were skilled and ready for the Anglesey Horizon Project. He added that apprenticeships in Wales have an excellent completion rate – 86% and Julie James has announced 100,000 all age apprenticeship employability programme, which offers industry and employees one point of contact.
- 5.15 David Morgan thanked the Minister for his response.

6. Previous Meetings

- 6.1 The First Minister explained that there were two sets of meeting notes to clear as there had not been an opportunity to clear minutes at the Council meeting in July. Members were asked for comments and to agree the minutes.
- 6.2 Notes from meeting held on 1 February 2016
- Agreed.
- 6.3 Notes from meeting held on 25th July 2016
- Agreed.
- 6.4 Action Grid

The First Minister said that the action grid provides an update on progress – there were ten commitments or actions, of which six are complete. Of those outstanding:

- An update has been prepared on the Growth and Prosperity Fund and Business Confidence Plan;
- The First Minister will be attending the Joint Ministerial Committee on Monday;
- The PR plans in respect of areas of agreement are still being put together and can be discussed at the Executive Working Group;
- The Executive Working Group will be discussing the timing of a Better Jobs Closer to Home Council paper now that the Minister for Skills and Science has taken over lead responsibility.

7.0 Any Other Business

7.1 The First Minister asked if there was any other business. None was raised.

7.2 The First Minister brought the Council's attention to the paper to note from the Royal Institution of Chartered Surveyors (RICS) on the post Brexit Welsh impact.

7.4 The First Minister closed the meeting and thanked the Council Members for their contribution and attendance.

8.0 Close