

## Council for Economic Development Meeting Note

**Time: 09:30 – 11.30**

**Date: 1 February 2018**

**Venue: Caerdydd 1, Cathays Park, Cardiff.**

### Ministers in Attendance

Name	Organisation
Rt Hon Carwyn Jones AM	First Minister
Alun Davies AM	Cabinet Secretary for Local Government and Public Services
Mark Drakeford AM	Cabinet Secretary for Finance
Julie James AM	Leader of the House and Chief Whip

### Apologies

Ken Skates AM	Cabinet Secretary for Economy and Transport
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### Stakeholders in Attendance

Lloyd Powell	ACCA
Ian Price	CBI
Martin Warren	ICAEW
Robert Lloyd Griffiths	IoD
Ben Cottam	FSB
Mark Harris	Home Builders Federation
Lowri Morgan	The Law Society
David Morgan	RICS
Heather Myers	South Wales Chamber of Commerce
Derek Walker	Wales Co-operative Centre
Nigel Keane	Wales Social Partners Unit
Martin Mansfield	Wales TUC
Nisreen Mansour	Wales TUC

### Apologies

Leighton Jenkins	CBI
Julie-Ann Haines	CML
Paul Byard	EEF (Chair of Commerce Cymru)
Ifan Glyn	FMB
Ian Gallagher	Freight Transport Association
Huw Thomas	NFU
Jonathan Price	Welsh Government
Emma Watkins	Welsh Government
Julie Cook	Wales TUC

### Welsh Government Officials

Dame Shan Morgan DCMG	Permanent Secretary
Deri Ap Hywel	Agenda Item 2
Simon Griffiths	Agenda Item 3
Paul Harrington	Agenda Item 4
Marcella Maxwell	
Huw Morris	
Andrew Slade	
Jane Anstee	Note taker
Derek Goode	Note taker

## 1. Introductions & Opening Remarks

1.1 The First Minister welcomed members and introduced the Cabinet Secretary for Finance, the Cabinet Secretary for Local Government and Public Services and the Leader of the House and Chief Whip. The First Minister also welcomed Andrew Slade, newly appointed Director General for Economy, Skills and Natural Resources, replacing James Price; who is now Chief Executive of Transport for Wales. He added that Tracey Burke has been appointed Director General for Education and Public Services and wished Andrew and Tracey all the best in their new roles. The First Minister said that a Wales Employment and Skills Board representative should be attending June's meeting. The First Minister reported the Secretary of State for Exiting the European Union, David Davis, had not accepted the invitation to attend this Council meeting.

1.2 The First Minister set out the five main agenda items:

- Valleys Taskforce Plan Update
- Better Jobs Closer to Home
- EU Transition
- Economic Action Plan
- Review of the Implementation of the Welsh Ministers' Business Scheme.

## 2. Valleys Taskforce Plan Update

2.1 Introducing the Valleys Task Force plan, the First Minister said there are many challenges to overcome the perceptions of the Valleys. However, the Valleys possess some incredible assets that are often overlooked, undervalued and undersold. He said when the Valleys Taskforce was set up in July 2016<sup>1</sup>, it was made clear that the work of the Taskforce<sup>2</sup> would be led by the people who live and work there. We now have a high-level Plan, published last July – Our Valleys, Our Future<sup>3</sup>, and we have a Delivery Plan<sup>4</sup>, published last November, to work alongside it with over 60 actions that we will focus on and monitor.

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<sup>1</sup> Press Release: <http://gov.wales/newsroom/improvingpublicservices/2016/new-approach-to-support-valleys-investment-announced/?lang=en>

<sup>2</sup> Taskforce Membership: <http://gov.wales/topics/people-and-communities/communities/taskforce-for-the-valleys/?lang=en>

<sup>3</sup> Our Valleys, Our Future: <http://gov.wales/docs/dsijg/publications/comm/170720-our-valleys-our-future-env2.pdf>

<sup>4</sup> Our Valleys, Our Future: Delivery Plan: <http://gov.wales/docs/dsijg/publications/comm/171107-our-valleys-our-future-delivery-planv2-en.pdf>

- 2.2 The First Minister referred to three priority areas identified for the Valleys:
- Good quality jobs and the skills to do them
  - Better public services
  - My local community.
- 2.3 The Cabinet Secretary for Local Government and Public Services said he was clear that the Brexit result in 2016 delivered an important message to the UK Government and politicians at all levels. He emphasised that we need to listen to people, recognise history, understand achievements and learn lessons from the past. He said that in his mind the referendum message did not solely relate to the European Union issue, it was wider than that.
- 2.4 He added the individual South Wales Valleys do not demonstrate the exact same characteristics, for example the needs of the Gwent Valleys differ to those in the Western Swansea area. It was therefore important to understand the needs, requirements and aspirations of the people of the Valleys and that it was crucial that ideas come from them. The Cabinet Secretary added the Plan was developed jointly with the people living and working in the Valleys, and that when talking to people across the Valleys to produce last July's Plan, it was clear that the government had to set targets and re-engage communities to re-build trust.
- 2.5 The Cabinet Secretary said whilst the vision for the Valleys would come from the people, the Welsh Government would need to create a delivery plan with clear objectives and timescales. All this is crucial so that we can point to real achievements or be clear where we have failed. There must be informed accountability including the publication of all papers and documents to achieve transparency. Last November's Delivery Plan included objectives and targets.
- 2.6 The Cabinet Secretary said since November, strategic hubs seminars have been held in the hub areas<sup>5</sup> with local authorities and stakeholders to identify potential projects which can be funded and delivered as part of the first phase of development in each of the strategic hub sites by 2021. The message from these events has been different at each location, but the two biggest messages received have been around transport and public services. He added one of the points raised frequently was the need for high-quality affordable local transport, and he would advise on progress at the next meeting.

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<sup>5</sup> Seven South Wales Valleys Strategic hubs: Caerphilly/Ystrad Mynach, Neath, Northern Bridgend, Ebbw Vale, Pontypridd/Treforest, Merthyr Tydfil and Cwmbran.

- 2.7 The Cabinet Secretary said the Valleys initiative was not only about business parks and industrial estates, it was also about strong communities and creating a sense of place linked to history, culture and the natural environment. For these reasons, the Cabinet Secretary saw the Valleys Landscape Park as essential in helping to create people's sense of place and community.
- 2.8 Ian Price said he was generally in favour and referred to paragraph 12 of the update paper and the foundational economy. He asked for the Cabinet Secretary's view on the impact of automation in the retail sector and particularly the effect on part time workers many of whom are working mothers. The Cabinet Secretary said the Economic Action Plan sets out how the Welsh Government sees automation as an opportunity. On Governance, Ian asked if there was to be an annual report, as it is important to track measures and targets, including where they have not been achieved. The Cabinet Secretary said the Taskforce would be reporting in July: the aim is to help 7,000 economically-inactive and unemployed people into work by 2021.
- 2.9 Martin Mansfield said as a member of the Taskforce he had sent a note direct to the Cabinet Secretary. He said that in summary, he would have liked to see the Action Plan more ambitious but recognised that a middle path had been taken so as not to over reach and risk under delivery.
- 2.10 Martin also referred to issues on baseline measurement, the importance of piloting ways of delivering success, creating real jobs not just 'schemes'. He also said it must not be any job; jobs had to be real, good quality, long term and based within the community.
- 2.11 Derek Walker welcomed the paper and noted the action relating to the foundational economy, and said we needed more targeted support and suggested that future structural funds could be used to support the foundational economy.
- 2.12 Ben Cottam said he was grateful for the update today and had had helpful meetings with officials. He said that we should look at ways to develop self employment in the Valleys economy. He said that it was not just about the public sector, as partners like the universities should be considered. He added networks could be exploited to bridge geographical barriers.
- 2.13 Martin Warren noted from paragraph 11 that City Deals will be aligned with wider structures/processes and linked together to promote the region.

- 2.14 The Cabinet Secretary said the power of government is being harnessed as a catalyst to bringing people together and deliver change. He added we need to simplify government delivery and avoid duplication, and he was working directly with the City Deal Boards to get a comprehensive understanding of the landscape to avoid unnecessary duplication. The Cabinet Secretary said he was grateful for the positive comments from the strategic hubs.
- 2.15 In response to points raised, the Cabinet Secretary said he was pleased that members had raised the foundational economy as this was important. He also said there were common themes across all the Valleys. On the point of automation, he said that this would be an issue in retail but that we should also grasp the opportunities this might bring and that the Economic Action Plan may help us take advantage of these.
- 2.16 Ian Price agreed that automation could provide opportunities which should be harnessed.
- 2.17 The Cabinet Secretary acknowledged the approach in the Plan is stretching but achievable and would change the dynamics of the Valleys. He added the additional 7,000 people into work target would be greatly supported by the developments of the strategic hubs. Our data showed that 80% of the most deprived communities could access at least one strategic hub within 45 minutes by public transport, raising to 93% by 60 minutes. He also referred to co-operatives being an important sector, and added that the duelling on the A465 road would be a beneficial infrastructure investment.

### **3. Better Jobs Closer to Home**

- 3.1 The First Minister said a cross government team is taking forward the Better Jobs Closer to Home programme to align a range of commercial projects with other interventions to support the creation of meaningful employment in communities with high levels of joblessness.
- 3.2 The First Minister asked the Leader of the House and Chief Whip to outline progress achieved so far.
- 3.3 The Leader of the House & Chief Whip said the Wales TUC initially brought a proposal to the Welsh Government. She commended the government team she has been working with and outlined some of the issues they had to overcome, including state aid, supply chain mapping and procurement regulations. She said the four Better Jobs Pilots involve the use of procurement legislation to reserve suitable contracts, enabling new supported factories to be formed which would provide employment and training opportunities for the most disadvantaged people in the area.

- 3.4 There are four pilots with another two pilots being created. Each of the pilots are deliberately very different considering different practices, methods and ideas that will provide evidence of what works, where and whether it can be replicated in another region and they are ready to go:
- i. **Pilot 1** is a manufacturing hub which will procure a social partner to operate a manufacturing unit in Ebbw Vale. The unit will operate as an Intermediate Labour Market (ILM) in the Foundational Economic Supply Chain, making high end garments for use in industries, including the public sector. The sheltered jobs created here will allow people to receive employment, training and eventually move on to other employment.
  - ii. **Pilot 2** is an existing social enterprise that employs disadvantaged people and the aim is to increase the hours of work for the current workforce. They produce signs and extra demand for signage has been placed with the factory from two local authorities through their existing contracts. Transport for Wales has stipulated the use of this factory exclusively for their signage requirements in the tender documentation for the procurement of the train operator. This pilot has demonstrated that there are no contractual or procurement reasons not to do this and that we do not always have to choose the lowest price.
  - iii. **Pilot 3** is an operation that collects waste paint and re-engineers it for re-use. The Better Jobs Team is developing a Special Purpose Vehicle to replicate a similar operation that is currently based in Birmingham. The Better Jobs Team has received commitment from supply chains to use the re-engineered Welsh paint on Welsh projects such as Transport for Wales who will use this exclusively.
  - iv. **Pilot 4** is an existing social enterprise, employing disabled, homeless and previously long-term unemployed people and operating as an Intermediate Labour Market. The Merthyr Company collects, sorts and shreds waste paper but needs more tonnage of paper to increase the opportunities for employment within the operation, and for the operation to become self-sustaining financially.
- 3.5 Martin Mansfield said it was for the Welsh Government to change its procurement approach regarding suitable public sector contracts, enabling new supported factories to be formed which would provide employment and training opportunities for the most disadvantaged people in the area. He said the pilots were a necessary step. He added if successful they could be replicated around Wales and the UK Government could learn from them too. He asked for more detail of the lessons learnt. For example, it would be useful

to know how fair work would be delivered and how we ensure employees move from the pilots to external employment. He also asked how we intend to evaluate and ultimately how all procurement will be changed to reflect this new way of working.

- 3.6 Robert Lloyd Griffiths referred to smaller SMEs feeling excluded from procurement contracts, and there was therefore a huge opportunity to promote the pilots wider to include SMEs.
- 3.7 Derek Walker said his organisation has been involved in all four pilots as they are social enterprises. He said it had been far more complex than originally envisaged, but he was impressed with the team for overcoming all the barriers to produce the pilots.
- 3.8 Lowri Morgan said the break through regarding procurement is significant and provided an excellent opportunity.
- 3.9 Ian Price said that Pilot 2 is a good business without support. He added the lowest price is not always best value and the National Procurement Service (NPS) needed to look at its terms of reference.
- 3.10 The Leader of the House & Chief Whip set out what she felt were the lessons they had learnt so far:
  - Four different pilots were deliberately chosen to provide employment and training opportunities for the most disadvantaged people in the area, which includes a lot of supply chain work.
  - She had done lots of work looking into the procurement database information which has proven very useful in establishing not only who spends what but why they do it that way.
  - She is working with other Cabinet Secretaries and Ministers as well as local authorities, the National Procurement Service and companies, including looking at gaps in the public and private sector supply chains.
  - Some of the pilots may only work in certain circumstances and will be looking at why they are/are not successful. The team will collect the performance evidence and use that to assess the pilots' effectiveness.
  - There are two other pilots in the pipeline, one of which may offer an opportunity to fill the gap in a private sector supply chain.

- The pilots have operated in a way that they can be scaled up, moved or adapted if necessary. They will trial a variety of business and employment practices
- The Leader of the House and Chief Whip said she looked forward to reporting progress on the pilots in six months and may hold a demonstration workshop in the future.

#### 4. EU Transition

4.1 The First Minister said his amendments to the European Union (Withdrawal) Bill<sup>6</sup> were not accepted by the UK Government at Commons Committee Stage<sup>7</sup> or at Report Stage. The First Minister added he could not support a Legislative Consent Motion at this time. He added, however, the Prime Minister committed to bring forward amendments in the House of Lords.

4.2 The Cabinet Secretary for Finance said Phase 1 of the Brexit negotiations concluded in December, and he broadly welcomed the agreement as it was closer to the Welsh Government's position as set out in its White Paper, Securing Wales' Future<sup>8</sup>, published in January 2017. For example we suggested transition arrangements are essential for stability for businesses and these are now part of the UK Government stance. He added the Phase 1 agreement is set out in the Joint Report issued by the UK Government and the European Commission on 8 December<sup>9</sup> and covers agreement in principle across the three main areas under consideration:

- protecting the rights of Union citizens in the UK and UK citizens in the Union
- the framework for addressing the unique circumstances in Northern Ireland
- the financial settlement.

4.3 The Cabinet Secretary said he had sought to work constructively with the UK Government to amend the European Union (Withdrawal) Bill to ensure that it will be a success. He added the Bill as it currently stands represents a fundamental assault on devolution and would place current constraints on the National Assembly's legislative competence, which will fall away as a consequence of the UK leaving the European Union, with a new

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<sup>6</sup> <https://services.parliament.uk/bills/2017-19/europeanunionwithdrawal.html>

<sup>7</sup> 16 Jan 2018, [First Minister's Written Statement](#) - EU (Withdrawal) Bill

<sup>8</sup> <http://gov.wales/newsroom/firstminister/2017/170123-brexite-plan/?lang=en>

<sup>9</sup> <https://www.gov.uk/government/publications/joint-report-on-progress-during-phase-1-of-negotiations-under-article-50-teu-on-the-uks-orderly-withdrawal-from-the-eu>



set of constraints in devolved competences that would be controlled by the UK Government. The Cabinet Secretary said that should the discussions he was having with the UK Government not result in the necessary amendments to the Bill coming forward, the Welsh Government would act and submit a Continuity Bill to the Presiding Officer of the National Assembly.

- 4.4 The Cabinet Secretary said the Welsh Government announced a new £50 million EU Transition Fund<sup>10</sup> earlier this month. This fund is still at a formative stage, which will provide support in devolved areas and is part of the Welsh Government's Brexit plans to directly help businesses and public services for the significant changes on the way.
- 4.5 The Cabinet Secretary for Finance said the Welsh Government published a policy paper in December, Regional Investment in Wales after Brexit<sup>11</sup>, which supports discussions with stakeholders across Wales on the future of regional policy after Brexit.
- 4.6 The Cabinet Secretary said a further paper was out today focusing on Trade<sup>12</sup>. The Brexit trade paper is supported by an economic impact analysis from Cardiff Business School. It argues that whilst finding new trading partners is important, the Welsh economy is best protected by retaining full access to the European Single Market and membership of a customs union.
- 4.7 The Cabinet Secretary said he was about to embark on a review of the Wales Infrastructure Investment Plan (WIIP)<sup>13</sup> and would be talking to members on how to use capital sources for the next 5 years.
- 4.8 Ben Cottam welcomed the £50 million Fund, adding he will work with Welsh Government officials on how the Fund can help business through the transition. He said he would welcome more detail on how the fund would operate.
- 4.9 He added whilst the UK government had tried to negotiate a transition period they had not yet agreed a timescale which he felt should be three years. He also welcomed the Trade paper and agreed that the EU will remain our greatest trading partner going forward. He asked how useful the JMC meeting had proven.

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<sup>10</sup> <http://gov.wales/newsroom/firstminister/2018/180108-50m-fund-to-help-prepare-wales-for-brexite/?lang=en>

<sup>11</sup> <http://gov.wales/funding/regional-investment-in-wales-after-brexite/?lang=en>

<sup>12</sup> <http://gov.wales/newsroom/firstminister/2018/180201-first-minister-sets-out-vision-for-trade-post-brexite/?lang=en>

<sup>13</sup> [2012 Wales Infrastructure Investment Plan for Growth and Jobs](#)

- 4.10 Martin Warren said he applauded the Fund and said it should be used to exploit new opportunities.
- 4.11 Heather Myers welcomed the Fund and said we need to make sure we provide balanced support to organisations and businesses.
- 4.12 The Cabinet Secretary thanked members for their support and said the Fund will help to shape thinking and includes supporting new opportunities and dealing with adverse consequences of Brexit. He added he looked forward to working with partners to develop detailed programmes of support covering a range of interventions.
- 4.13 The Cabinet Secretary said he is pressing the UK Government to agree a form of words to allow flexibility around transition in case more time is needed. He said he did not personally favour red line deadlines as he preferred doing it well not just quickly.
- 4.14 The Cabinet Secretary said the JMC (EN)<sup>14</sup> operated better in the Autumn, but the sense of momentum has been lost as it has been two months since the last meeting.
- 4.15 The Cabinet Secretary said Welsh Ministers have highlighted the need to arrive at common UK frameworks by consent. They would not work without a mutually agreed governance model. He added the JME (EN) is not fit for the long term. There needed to be a new body which was rule based and founded on mutual respect, which is what the First Minister has been calling for.

## **5. Economic Action Plan**

- 5.1 The First Minister said the Economic Action Plan was published at the end of last year<sup>15</sup>. He said the real test will be in delivering and implementing the Plan.
- 5.2 The First Minister said members would have seen the short paper produced for today's meeting that presents a series of questions on the implementation of key policy changes. He said he needed members' help in defining 'the ask' of business in terms of the Economic Contract conditions and the Calls to Action.

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<sup>14</sup> JMC(EN) - Joint Ministerial Council (European Negotiations)

<sup>15</sup> <http://gov.wales/newsroom/businessandconomy/2017/171212-new-economic-contract-to-drive-competitiveness-and-growth-with-purpose/?lang=en>

- 5.3 The First Minister said the Plan contains dozens of actions, but our immediate focus is on implementing four 'big ticket' policy changes:
- establishing the Economic Contract
  - embedding the Calls to Action
  - rolling out the Economy Futures Fund
  - delivering on the regional approach.
- 5.4 The First Minister said it is hugely important in implementing the Plan to work with existing advisory structures and also have wider conversations when necessary. The First Minister said an immediate implementation issue where members thoughts would be really helpful is in defining our Economic Contract and Calls to Action criteria. He reminded members that at the end of the short paper which was circulated for this agenda item (CfED 01/02/2018), there are questions for members to answer.
- 5.5 Ian Price commented that the appointment of Chief Regional Officers was an excellent idea.
- 5.6 Ben Cottam said he was optimistic and realised a lot of engagement is required. He added:
- It is imperative that the Economic Contract is achievable and tangible for the smallest businesses.
  - Calls to Action – there needs to be emphasis on Wales' private and public supply chains.
  - Regional approach - regions should be empowered and there should be a move away from an overemphasis on sectors. He said there is a lack of medium sized enterprises in Wales and the Plan could be a stimulus on how to grow these businesses.
- 5.7 Martin Mansfield welcomed the Plan and said it represents an opportunity for a major culture shift in economic planning, including embedding fair work into the Economic Contract. He added implementation and delivery will be crucial and the Welsh Government will need to engage with social partners to deliver the Plan. The Social Partners Strategy Group will be the ideal place to have these discussions.
- 5.8 The First Minister said the Regional Chief Officers will feedback local intelligence to Ministers. He added they will identify priorities in each Region and he also said the governance model set up will be crucial to success.

## **6. Review of the Implementation of the Welsh Ministers' Business Scheme**

6.1 The First Minister thanked those who responded to the questionnaire on the Review of the Implementation and Impact of the Business Scheme<sup>16</sup>. He added the responses have been used alongside the responses from Welsh Government officials, to inform the content of the Report circulated to members.

6.2 The First Minister said key themes emerging from the 2017 Review include:

- inconsistent approach across parts of the Welsh Government
- need for balanced views and inputs, to avoid the potential to going to the usual stakeholders (those who are known to contribute, or where personal links are stronger)
- the need for early, formative, purposeful engagement, and the need to avoid a tick-box approach
- the need to recognise capacity issues within stakeholders
- the difficulty assessing 'impact' through numbers, and the need for further work in this area.

6.3 The First Minister asked if there were any concerns or amendments to the Report. None were raised.

6.4 Lloyd Powell and David Morgan thanked the Wales Social Partners Unit for the work they do.

6.5 The First Minister said the Report will be laid before the National Assembly, and the recommendations will be taken forward jointly with social partners.

## **7. (7a) Note and (7b) Actions from meeting held on 12 October 2017**

7.1 The First Minister said a note of the meeting of 12 October meeting had been circulated to members. Members were asked for comments and to agree the note.

7.2 The meeting note was agreed.

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<sup>16</sup> <http://gov.wales/topics/businessandconomy/welsh-economy/economiccouncil/?lang=en>

- 7.3 The First Minister said there were two actions arising at the October meeting:
- i. officials to circulate to members Professor Max Munday's Report which looked at the impact of EU exit on large and medium sized firms in Wales – the First Minister said a redacted version of the Report was shared with members of the EU Exit Working Group. He added the full Report has now been checked with businesses that participated in the work and it is expected to be published early this month
  - ii. the Cabinet Secretary for Economy and Transport said he would arrange for the brochure on the new Rail franchise to be issued to members – the First Minister said the brochure was circulated to members on 20 November.

## **8 Next Meeting**

- 8.1 The First Minister said the date would be circulated for the next meeting.

## **9 Any Other Business**

- 9.1 The First Minister asked if there was any other business. None was raised.
- 9.2 The First Minister closed the meeting and thanked the Council members for their contributions and attendance.

## **10 Close**