

Council for Economic Development Meeting Note

Time: 9am – 11am

Date: 19 July 2017

Venue: Conference Room C, Tŷ Hywel, Cardiff Bay

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
Julie James AM	Minister for Skills and Science

Stakeholders in Attendance

Lloyd Powell	ACCA
Michael Plaut	CBI
Paul Byard	EEF (Chair of Commerce Cymru)
Martin Warren	ICAEW
Robert Lloyd Griffiths	IoD
Ifan Glyn	FMB
Ben Cottam	FSB
David Morgan	RICS
Heather Myers	South Wales Chamber of Commerce
Nigel Keane	Wales Social Partners Unit (WSPU)
Derek Walker	Wales Cooperative Centre
Julie Cook	Wales TUC
Martin Mansfield	Wales TUC

Apologies

Dame Shan Morgan DCMG	Permanent Secretary
Ian Price	CBI
Julie-Ann Haines	CML
Ian Gallagher	Freight Transport Association
Mark Harris	Home Builders Federation
Huw Thomas	NFU
Lowri Morgan	The Law Society
Mike Jenkins	Wales TUC

Welsh Government officials

James Price	Deputy Permanent Secretary
Tracey Burke	Director, Economy & Infrastructure Strategy
Mick McGuire	Director, Business & Regions
Jarlath Costello	Substituting for Chief Economist, Jonathan Price
Sian Brown	Agenda Item 2
Jo Salway	Agenda Item 3
Rachel Garside-Jones	Agenda Item 4
Neil Surman	Agenda Item 5
Jane Anstee	Note taker
Huw Griffiths	Note taker

1. Introductions & Opening Remarks

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

- EU Transition update
- Business Engagement with the City Deals/Growth Deals in Wales
- Employment and Skills Update
- Tertiary Education and Research Commission for Wales.

1.2 The First Minister added that there were also five papers to note.

1.3 The First Minister acknowledged members had been hoping to see the Welsh Government's Prosperity for All crosscutting strategy on the agenda today. He said the strategy had been agreed by Cabinet the previous day. However, rather than publishing the document so close to recess, the decision had been taken to publish it early in the autumn term to ensure Assembly Members have proper opportunity to provide scrutiny. The First Minister added the objective of the Strategy is to provide an overarching framework for long-term decision making. He said the Council would have the opportunity to discuss it in detail at October's meeting.

ACTION: Officials to ensure that "Prosperity for All: the National Strategy" is an agenda item at October's meeting of the Council.

2. EU Transition Update

2.1 The First Minister updated the Council on his recent meeting with Michel Barnier (EU Chief Negotiator) in Brussels, where he had presented the Welsh Government's White Paper, Securing Wales' Future¹. The First Minister emphasised the White Paper's priorities, in particular the importance of securing free and unfettered access to the Single Market. The First Minister added that he had made Mr Barnier aware of Wales' key role as a maritime gateway and the issues that would arise if a hard border were imposed between the UK and the Republic of Ireland.

2.2 The First Minister said the Welsh Government saw the UK Government's European Union (Withdrawal) Bill (the Bill)² just two weeks before it was published. Contrary to some press reports, the Welsh Government had not been involved in the drafting of the Bill. The First Minister explained the Bill was unacceptable in its present form as it did not return powers from the EU to the devolved administrations as promised. It proposed to return them solely to the UK Government and Parliament and as such, the First Minister explained he could not recommend that the National Assembly provided legislative consent to the Bill in its current form. The First Minister said business needed certainty and continuity when the UK leaves the EU and this

¹ <https://beta.gov.wales/brexit>

² <https://www.gov.uk/government/news/exiting-the-eu-with-certainty>

should be achieved through respecting the devolution settlement and through a process of negotiation and agreement.

- 2.3 The First Minister asked the Cabinet Secretary for Finance and Local Government to introduce the paper. The Cabinet Secretary said that the Welsh Government was working on issues of significance to Wales. Two papers had been published on exiting the EU and two more factual documents would be published in the Autumn. These would cover (i) migration and potential impacts upon on business, agriculture, public services and universities; and (ii) the future of regional economic policy.
- 2.4 The Cabinet Secretary for Finance and Local Government outlined recent dialogue with the Scottish Government. He explained that the Devolved Administrations were frustrated that the Joint Ministerial Committee on EU negotiations (JMC-EU) had not met since February. He added that both the Welsh Government and Scottish Government had written to the UK Government's Secretary of State for Exiting the EU, the Rt Hon David Davis MP urging further meetings of the JMC-EU.
- 2.5 The First Minister proposed to establish a working group of the Council, Chaired by the Economy Secretary and which would focus purely on the business impact of EU transition and provide an objective, rather than government, view. The intention is for the working group to report back to the Council in October.
- 2.6 Council members overwhelmingly welcomed the proposal to establish a working group and several members indicated their keenness to engage.

<p>ACTION: Officials to prepare Terms of Reference and establish a working group of the Council to discuss the business impact of EU transition.</p>

In addition, Council members raised the following points.

- 2.7 Julie Cook and Martin Mansfield echoed the First Minister's thoughts on the UK Government's EU Withdrawal Bill and shared the concern that in its current guise, the Bill was not consistent with the devolution settlement. Derek Walker said that the social enterprise sector received important support from the structural funds and asked whether there was any further information about the UK Government's proposed Shared Prosperity Fund.
- 2.8 Ben Cottam asked whether the Welsh Government would be more amenable to the Bill if a 'sunset clause' or timescale for the repatriation of powers was included.
- 2.9 Robert Lloyd Griffiths emphasised the importance of certainty and business confidence around the UK's future trading status and the stability of future investment.

2.10 David Morgan asked whether the Council could invite the Rt Hon David Davis MP, Secretary of State for Exiting the EU to the next Council meeting.

2.11 Heather Myers emphasised the importance of single market access and the negative business implications of imposing a hard border between the UK and the Republic of Ireland. She added that the Chamber has been working with the Irish Chamber of Commerce on scenarios concerning the future of the border.

2.12 In response the First Minister confirmed that:

- although structural funds were effectively in place until 2022, the position beyond that is uncertain, and how the UK Government's proposed Shared Prosperity Fund will operate is unknown;
- a sunset clause or timetable would not be sufficient to ensure Welsh Government support for the EU Withdrawal Bill. Such a clause would not remove the central concern around the implications of the Bill for the devolved settlement; and
- an invitation would be extended to the Rt Hon David Davis MP, Secretary of State for Exiting the EU to attend a future meeting of the Council.

<p>ACTION: Welsh Ministers to write to the Rt Hon David Davis MP, Secretary of State for Exiting the EU, inviting him to a future meeting of the Council.</p>
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3. Business Engagement with the City Deals/Growth Deals in Wales

3.1 The First Minister said it was important for business and other stakeholders to help shape the City Deals/Growth Deals agenda. He asked the Cabinet Secretaries for Finance and Local Government and Economy and Infrastructure to introduce the paper.

3.2 The Cabinet Secretary for Finance and Local Government said that:

- the Cardiff Capital Region City deal has been signed by the 10 Local Authorities, the Welsh Government and UK Government. He added that the Supplementary Budget had released the first £20 million to the City Deal;
- the Swansea Bay City Region Deal is centred around 11 projects and work was now being taken forward to develop the governance arrangements and the business cases for each of the projects; and
- the North Wales Economic Ambition Board was working on its priorities and progress was being made toward a Growth Deal.

- 3.3 The Cabinet Secretary for Economy and Infrastructure said that as part of the broader strategic work that the Welsh Government had underway, a new regional approach to economic development is being taken forward. He added that this approach will build on the City Regions footprint and help to deliver a regional dimension to national delivery to address the lumpiness or unevenness of economic growth. He added that the regional approach would complement the work of the Valleys Task Force and City Regions.
- 3.4 The Council welcomed the update and expressed general support for the regional approach. Martin Mansfield commented upon how this work complemented local government reform and in tackling regional disadvantage would contribute toward the Welsh Government's Fair Work and better jobs closer to home agendas.
- 3.5 Some members were concerned that social partners were not being engaged effectively in the development of the City Deals. Heather Myers added that there were lessons to learn in procurement in particular where local authorities could do more to ensure small businesses are able to compete for contracts.
- 3.6 Paul Byard said that he would be happy to share a paper he was working on with his members about making the City Deals work for business.

<p>ACTION: Paul Byard to share the paper about City Deals he is developing with his members at a future meeting of the Council.</p>
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- 3.7 Derek Walker commented upon the importance of ensuring that there are appropriate business engagement opportunities, including the opportunity for social businesses to engage in the delivery of the City Deals and in regional working more broadly. Ifan Glyn asked for more details about mechanisms for engagement with the Northern Powerhouse.
- 3.8 The Cabinet Secretary for Finance and Local Government said mandatory regional working on economic development, land-use planning and strategic transport building upon the City Regions footprint would encourage local authorities to collaborate further. He commented on the evidence provided by both City Deals and the work that is going into a possible North Wales Growth Deal as examples of how local authorities can work more closely together to address wider challenges. He said that he was alert to local authorities' need to deliver on their procurement frameworks.
- 3.9 The Cabinet Secretary for Economy and Infrastructure emphasised the importance of business engagement. He said that in taking forward the regional dimension to economic development, attention would be paid to the needs of rural Wales. He reflected on the importance of cross-border activity and the need for regions to collaborate with each other and work cross-border where this was of mutual interest. He cited the North Wales Economic Ambition Board and Mersey Dee Alliance as examples of this.

3.10 The First Minister recognised the Council's concern in wishing to be engaged effectively on City Deals and he emphasised that officials are seeking to broker meetings between members of the Council and the City Deal teams.

4. Employment and Skills Update

4.1 The First Minister introduced the Minister for Skills and Science and asked the Minister to provide an update from the first meeting of the reconfigured Wales Employment and Skills Board (WESB).

4.2 The Minister for Skills and Science said that:

- the membership of WESB had been refreshed to provide strategic input and robust challenge to shape future skills, apprenticeships, further education, higher education and lifelong learning policy;
- Regional Skills Partnerships were at the centre of the Skills Policy. She added that a new Chair of WESB would be appointed, following the end of Scott Waddington's term, and the Chair would become a formal member of the Council for Economic Development;
- Skills and post-16 learning featured throughout the Programme for Government and would form part of the National Strategy. Priorities were to:-
 - create a minimum of 100,000 high quality all-age apprenticeships
 - support people to gain the skills they need to have and retain quality jobs, and better jobs closer to home
 - promote, encourage and enable innovation and connectivity – key drivers for economic growth and job creation;
- a cross-Welsh Government Employability Plan for Wales was being developed and would be published before the end of the year. The Plan would:
 - examine existing services and infrastructure
 - assess how well they help people to find and stay in work
 - consider whether they provide value for money for the Welsh Taxpayer;
- a new employability offer would underpin the Employability Delivery Plan, which would build on findings of evaluation and research evidence, and replace the current complex suite of programmes with a new employability offer under the name Working Wales. This would consist of three programmes to be delivered from April 2019:
 - one adult Employability Programme and two youth employability programmes (one aimed at those furthest from the labour market and one aimed at those closer to the labour market);

- the Minister was Chairing a Fair Work Board, whose preliminary findings would be reported in the Autumn; and
- would be using WESB to test the Employability Delivery Plan.

4.3 Lloyd Powell welcomed the focus on skills and commented upon how this was key to improving social mobility. He also commented on the positive engagement he had had with the South East and South West and Mid Regional Skills Partnerships. He added that there was still significant room for improvement in terms of careers advice but was very positive regarding the Careers Wales website improvements. He advised the Minister that they would be launching their Apprenticeship in December 2017 but that still work to do on parity of esteem with academic pathways.

4.4 Martin Mansfield welcomed the approach, adding it was important to focus on the needs of individuals. He added that in addition to assisting people to get a job and stay in employment, this agenda was also important in ensuring people can progress in work.

4.5 Heather Myers supported the approach of helping people along in their career, but was mindful of the impact of staff moving on after training paid for by a small employer. She added that there was still work to be done to help those furthest away from the labour market, and that job centres referring large numbers of inappropriate applicants meant that the service was not geared towards the needs of small businesses.

4.6 Derek Walker said that the skills sector and its work with apprenticeships in particular did not engage enough with social enterprise. He proposed that a Social Enterprise representative should sit on the new Apprenticeship Advisory Board being established as part of WESB.

4.7 The Minister for Skills and Science said that apprentices would be welcome in STEM³, as one of the challenges is to increase the numbers of people in STEM related employment. She agreed that there needed to be more women engaged and that there was a lack of women role models.

4.8 Ben Cottam said that he endorsed the need for young people to consider STEM, and stated the importance of links between schools and business starting at primary school level. He welcomed Business Class but also highlighted further work to do, as outlined in their recent report on enterprise.

4.9 The Minister for Skills and Science said that:

- the Welsh Government would be supporting employers to recruit and develop talent within their business;

³ Science, Technology, Engineering & Mathematics.

- there is an expectation that where Welsh Government supports Level 2 apprenticeships that there is provision for progression to Level 3, and that it was important to match careers advice with business needs;
- there was a need for joined up working to provide individuals with clear advice and guidance; and
- in response to a query about Business Wales and Careers Wales, the Minister said that they had commissioned a study which would explore the benefits of greater alignment between the two.

5. Tertiary Education and Research Commission for Wales

- 5.1 The First Minister said that the Welsh Government had published a White Paper for consultation on 20 June, setting out its response to the Hazelkorn Report on the reform of post-compulsory education and training in Wales.
- 5.2 The Minister for Skills and Science said that the consultation paper was self explanatory and that she was looking for good engagement upon it and invited members to respond to the consultation in due course. She added that one of the key drivers of the consultation was to better align post-compulsory education and training provision with the needs of business.
- 5.3 Heather Myers said that employers needed to understand qualifications in England and Wales and that the Welsh baccalaureate needed to be understood and valued in England, given the integration of the two economies.

6. (6a) Notes and (6b) Action from meeting held on 26 January

- 6.1 The First Minister asked members for comments and to agree the note.
- 6.2 The meeting note was agreed and there were no actions outstanding.

7. Any Other Business

- 7.1 The First Minister said there were five papers to note. The Council noted the papers without comment. The First Minister asked members if they had any other business.
- 7.2 David Morgan raised electrification on the Great Western Mainline and asked what the current status was in terms of electrification through to Swansea. The Cabinet Secretary for Economy and Infrastructure said that he had requested meetings with Chris Grayling MP, Secretary of State for Transport, to discuss concerns over the South Wales electrification, but that the UK Government had not been forthcoming.
- 7.3 The First Minister said that it would be disappointing if the electrification through to Swansea did not take place, but that it did appear that the UK Government would only deliver electrification as far as Cardiff.

7.4 Ben Cottam raised a question about the Swansea Bay Tidal Lagoon and the First Minister replied that the main outstanding issue for the UK Government was the “strike price”. The Welsh Government had pressed and continue to press the UK Government for a positive decision.

7.5 The First Minister said that the next Council meeting would be on 12 October.