

Council for Economic Development Meeting Note

Time: 10:30 – 12.30

Date: 18 June 2018

Venue: Caerdydd 1, Cathays Park, Cardiff.

Ministers in Attendance

Name	Organisation
Rt Hon Carwyn Jones AM	First Minister
Mark Drakeford AM	Cabinet Secretary for Finance
Ken Skates AM	Cabinet Secretary for Economy and Transport

Stakeholders in Attendance

Lloyd Powell	ACCA
Leighton Jenkins	CBI
Martin Warren	ICAEW
Robert Lloyd Griffiths	IoD
Ifan Glyn	FMB
Ben Cottam	FSB
Lowri Morgan	The Law Society
Sasha Davies	Chair of North Wales Economic Ambition Board – Regional Skills Partnership North Wales
Heather Myers	South Wales Chamber of Commerce
Derek Walker	Wales Co-operative Centre
Nigel Keane	Wales Social Partners Unit
Nisreen Mansour	Wales TUC
Ceri Williams	Wales TUC

Apologies

Ian Price	CBI
Julie-Ann Haines	CML
Paul Byard	EEF (Chair of Commerce Cymru)
Sally Gilson	Freight Transport Association
Mark Harris	Home Builders Federation
Lynn Robinson	RICS
Huw Thomas	NFU
Julie Cook	Wales TUC
Martin Mansfield	Wales TUC

Welsh Government Officials

Dame Shan Morgan DCMG	Permanent Secretary
Paul Harrington	Agenda Item 2
Simon Jones	Agenda Item 3
Marcella Maxwell	
Mick McGuire	
Jonathan Price	
Andrew Slade	
Jane Anstee	Note taker
Adam Jurd	Note taker

1. Introductions & Opening Remarks

- 1.1 The First Minister welcomed members and introduced the Cabinet Secretary for Economy and Transport and the Cabinet Secretary for Finance. The First Minister said he would need to leave early, and the Cabinet Secretary for Economy and Transport would Chair the rest of the meeting. The First Minister welcomed Sasha Davies as the WESB¹ representative to the meeting, adding she would provide a skills update under Any Other Business. The First Minister welcomed Andrew Slade to his second Council meeting, and thanked Mick McGuire who was attending his last Council meeting before retiring.
- 1.2 The First Minister set out the four main agenda items:
- EU Transition
 - Transport and Wales and the Wales and Borders Franchise
 - Progress on the Economic Action Plan
 - Social Business Sector in Wales.

2. EU Transition – update on latest developments

- 2.1 The First Minister invited the Cabinet Secretary for Finance to provide an update on EU Transition.
- 2.2 The Cabinet Secretary for Finance said a lot has happened since the last Council meeting, and outlined the six most prominent issues:
- JMC (EN)² met in March³ and April⁴ to agree a new approach to Clause 11 of the European Union (Withdrawal) Bill (formally known as the Great Repeal Bill). Clause 11 as originally drafted would have placed all the powers currently held at EU level with Westminster. The Welsh Government has secured agreement where all but a limited number of policy areas will be returned to Wales, on the basis of UK-wide ‘frameworks’ which will need the consent of the devolved legislatures.
 - A Customs Union is essential for the Welsh economy⁵.
 - Single Market – the First Minister set out the Welsh Government’s position in a speech last week⁶. So much depends on full and unfettered access to the Single Market, and the UK would be drawn into activity where

¹ WESB – Wales Employment and Skills Board.

² JMC(EN) – Joint Ministerial Council on EU negotiations.

³ [First Minister’s Written Statement following meeting of JMC\(Plenary\) on 14 March 2018.](#)

⁴ [Welsh Government agrees deal on Brexit Bill that respects devolution](#), 24 Apr 2018.

⁵ [2 Feb 2018 – First Minister sets out vision for trade post-Brexit.](#)

⁶ [First Minister’s speech at King’s College, London, on 14 June: Brexit and the UK Government White Paper](#)

companies would need to be in regulatory alignment with the EU to enable frictionless trade.

- Not losing a penny of funding due to Brexit⁷ – the Welsh Government is in discussion with Treasury as this needs a permanent upward adjustment to the Welsh Government baseline of at least the levels received historically via the EU Structural and Investment funds.
- Migration⁸ - Acknowledge the UK Government recently relaxed immigration rules to allow more doctors and nurses from outside the EU into the UK. However, we need to recruit more people in the private, public and research sectors to address the potential shortage of skilled workers.
- Transition – Welcomed the Council of Ministers agreeing a transition deal in March⁹ which is what the Welsh Government had called for.

2.3 The Cabinet Secretary said a new Ministerial Forum has been established on the future relationship between the UK and the EU where devolved administrations will have an opportunity to contribute to the development of a UK negotiating position, with Rebecca Evans, Minister for Housing and Regeneration representing the Welsh Government¹⁰.

2.4 Nisreen Mansour strongly welcomed the Welsh Government's position of retaining membership of the customs union, as a 'hard Brexit' would not work. Nisreen added she is looking forward to working with the Welsh Government on the EU transition and labour market and workforce issues.

2.5 The Cabinet Secretary thanked Nisreen and said the Welsh Government was making a £50 million fund¹¹ available to help businesses deal with the challenges of Brexit. He added the Welsh Government was about to make the first allocations and there would be others early in the Autumn. The Cabinet Secretary said he recently met with the Cabinet Secretary for Economy and Transport and discussed labour market issues and proper protections.

2.6 Ben Cottam asked whether the timeline for the Forum would continue post-Brexit to allow for inter-government discussion. The Cabinet Secretary said the Forum is designed to focus on the future relationship between the UK and EU and is expected to finish at the end of the year. He added the Welsh

⁷ Welsh Government paper launched on [28 Mar 2018 – Regional Investment in Wales after Brexit](#).

⁸ Welsh Government paper launched on 7 Sept 2017 - [Brexit and Fair Movement of People](#).

⁹ [Draft Withdrawal Agreement – 19 March 2018](#). The UK and EU negotiating teams aim to finalise the entire Withdrawal Agreement by October 2018.

¹⁰ [Written Statement – The future relationship between the UK and EU Ministerial Forum](#), 24 May 2018.

¹¹ [EU Transition Fund](#) announced, 8 January 2018.

Government is seeking stronger representation as JMC arrangements are not adequate for a post-Brexit UK.

- 2.7 Leighton Jenkins said he strongly valued the Welsh Government's approach and asked if there is a role for business. He also asked how transparent the UK's approach would be towards an equitable settlement. The Cabinet Secretary said the Welsh Government had worked hard at the official and JMC levels to reach agreement on the European Union (Withdrawal) Bill with the UK Government. He added he has been pressing for more transparency regarding the frameworks and to bring stakeholders from outside government into the discussion to test the feasibility of the next phase.
- 2.8 Derek Walker asked about the replacement of EU funds, for example, for infrastructure when they end in 2020. The Cabinet Secretary said we ought to commit as many of the structural funds as possible up to the end of March 2019 and he would not be pulling back on existing WEFO plans. He added the Welsh Government is in talks with Treasury and there are a number of opportunities, some not acceptable such as the proposed Shared Prosperity Fund. The Welsh Government is seeking the baseline money it gets from the EU. Wales could lose out under a Shared Prosperity Fund, as it would risk reducing needs-based funding to our poorest communities.
- 2.9 Leighton Jenkins said there is a sense of need for money for economic growth, and the Welsh Government's Regional Investment in Wales after Brexit paper¹² was not widely known across the business community. He added it was not clear whether all EU funding was well spent. The Cabinet Secretary said he recognised the point made about funding and delivery and the paper on Regional Investment sums up the position, including lessons learned. He added that Welsh Government carried out a range of activities to seek views on the proposals going forward set out in the paper and would be publishing results shortly. The Cabinet Secretary said the key to success will be the partnership arrangements.
- 2.10 Sasha Davies said a key point for the Employment and Skills Board is skills across the construction sector and the freedom of movement of workers. Sasha gave Wylfa Newydd¹³ as an example. She added the need for assurance of a strong Welsh voice within UK government. The Cabinet Secretary said the Welsh Government takes every opportunity to promote the free movement of people so industries, including construction, hospitality, universities etc are not disadvantaged. He added that the UK migration policy position was diverging from the Welsh Government's position, exacerbated by the frequency of changing of ministers within the Home Office. Therefore it was difficult to maintain optimism in this matter.

¹² https://beta.gov.wales/sites/default/files/2017-12/regional-investment-in-wales-after-brexit_0.pdf

¹³ [Written Statement – Wylfa Newydd](#), 5 June 2018.

3. Transport for Wales and the Wales and Borders Franchise update

- 3.1 The First Minister said, following the announcement two weeks ago¹⁴, we stand on the threshold of a new era for the rail industry, with better and more frequent, air conditioned trains in every part of Wales. The First Minister invited the Cabinet Secretary for Economy and Transport to provide an update on the Transport for Wales and the Wales and Borders Franchise.
- 3.2 The Cabinet Secretary for Economy and Transport said these are exciting times and KeolisAmey has a strong track record across the UK, including operating the Greater Manchester Metrolink and London's Docklands Light Railway. The Cabinet Secretary said they are one of the best in Europe, scoring up to 95% in customer satisfaction survey and that the franchise in Wales will start in October.
- 3.3 The Cabinet Secretary said KeolisAmey has a 15 year contract and will include £738 million in the South Wales Metro, £194 million modernising 247 stations and £800 million in new rail stock. He added by 2025, 95% of journeys will be made on new rail stock. The Cabinet Secretary said other rolling stock will include former London tube trains which will be gutted and updated.
- 3.4 The Cabinet Secretary said the franchise would align with the Economic Action Plan¹⁵ and is an example of the Plan working in practice, with economic gains alongside transport and regeneration objectives. He added the Real Living Wage will be cascaded throughout the supply chain, and 600 jobs and 450 apprenticeships will be created. The Cabinet Secretary said another 130 jobs will be created by KeolisAmey moving their Headquarters and design hub to Wales. The Cabinet Secretary said a number of the trains required for the new service will be manufactured in the CAF factory in Newport.
- 3.5 The Cabinet Secretary said the metro element can operate on conventional rail as well as electric tram mode, while tri-mode trains will combine low-emission diesel, battery and 25kV electric power. He added passengers' key priorities will be at the centre of the new service. The Cabinet Secretary said a new depot will be built in Taffs Well, including an integrated control centre for the South Wales Metro.
- 3.6 The Cabinet Secretary said the use of batteries will enable a "smart" electrification programme requiring only limited modification to bridges and other structures, minimising disruptions.

¹⁴ [£5 billion investment to transform rail services across Wales](#), 4 June 2018.

¹⁵ [Economic Action Plan](#).

- 3.7 The Cabinet Secretary said the contract will provide a huge opportunity for social and small enterprises and help to develop a strong manufacturing base focussed on rail, particularly in the Newport area. He said that social enterprises could take up business opportunities in stations, utilising vacant space. It is intended that volunteer organisations will be assisted in this respect, helping in the regeneration of both large and small stations. He added there are opportunities for rural and smaller communities in relation to social enterprise at train stations.
- 3.8 The Cabinet Secretary said Transport for Wales, as a non-profit arms length company of the Welsh Government, has led the procurement and is now well established to partner KeolisAmey to ensure real improvements are delivered.
- 3.9 Ceri Williams said the Wales TUC warmly welcomed the announcement, in particular the partnership approach to procurement and the involvement of the rail unions in the process. He added he hoped Fair Work principles will remain central to the delivery of the franchise, in particular any contracts awarded as part of the franchise facilitate collective bargaining for staff.
- 3.10 Robert Lloyd Griffiths said the announcement was good news and provided the opportunity for further education to engage with business to provide courses for their training needs.
- 3.11 Ben Cottam said he supported the contract as employees would have a better service travelling to work. He added small business owners rely on this service and looked forward to working with the franchise on how SMEs can exploit opportunities in the supply chain. He further added the use of social enterprises would represent a good use of redundant space at stations.
- 3.12 Heather Myers said it was good news for smaller businesses to be involved in the supply chain.
- 3.13 Martin Warren welcomed the announcement and said it aligns with the City and Growth Deals.
- 3.14 Derek Walker welcomed the announcement and looked forward to supply chain involvement.
- 3.15 Leighton Jenkins welcomed the announcement and said others could learn lessons on the way the procurement process was undertaken, including the regional economic development approach.
- 3.16 The Cabinet Secretary said key lessons are being learned on competitive procurement and this process could be applied elsewhere. He said the Secretary of State for Transport, Chris Grayling, was interested in the procurement approach taken in Wales as well as other areas around the UK. He outlined the outcome-based procurement process which focused on

quality and innovation that had been undertaken, and the consultation with stakeholders resulting in more than 1,300 responses. The Cabinet Secretary said the result is the best possible outcome.

- 3.17 The Cabinet Secretary said the rolling stock used for the South Wales Metro will offer 45% more seats into Cardiff during the morning peak.
- 3.18 The Cabinet Secretary invited the Council to let him know if they want to engage directly with Transport for Wales and he would invite them to meetings.
- 3.19 The Cabinet Secretary said there is a huge opportunity for further education and 450 apprentices with the manufacturing of rolling stock and having the right skills. He added we need to work more closely with local authorities, citing Cardiff bus station, so that the right people are working together. The Cabinet Secretary added that the right infrastructure is the catalyst for growth.
- 3.20 The Cabinet Secretary said it is part of Regional Economic Development and cited the North Wales Growth Board and City Regions. He added each metro concept is at different stages and will better connect communities.
- 3.21 The Cabinet Secretary said the railway network infrastructure has been underfunded. He added Cardiff Central needs significant investment from the UK Government.

4. Progress on the Economic Action Plan

- 4.1 The First Minister said he had to leave shortly and handed over to the Cabinet Secretary for Economy and Transport.
- 4.2 The Cabinet Secretary thanked the Council for contributing to the development of the Economic Action Plan, including helping to improve the Calls to Action, Economic Contract and the Economy Futures Fund. He added he has set up a new Ministerial Advisory Board¹⁶ for informing policy making and providing external advice, and a new internal Delivery Board of senior Welsh Government officials to drive delivery of the Economic Action Plan across all ministerial portfolios.
- 4.3 The Cabinet Secretary said phase 2 of the implementation will include a new approach to regional economic development and foundation sectors, and he would value further input from the Council. The new regional approach is to iron-out inequalities across Wales and boost inclusive growth. Enabling plans will be developed for the four Foundation Sectors of Tourism, Food, Retail and Care. The Cabinet Secretary said the Chief Regional Officers have started work in the regions.

¹⁶ [New Economic Contract for Businesses seeking Welsh Government support](#), 20 May 2018

- 4.4 Nisreen Mansour welcomed inclusive growth and the economic contract being linked to fair work. She added she would like to see assessments undertaken by a panel of social partners as in Proact. The Cabinet Secretary said he is keen for international bodies to challenge the Economic Action Plan and for that reason is opening dialogue with the OECD¹⁷ and other experts in the economic development field, learning from them and applying any lessons learnt and best practice. He added he is keen to engage with social partners.
- 4.5 Ifan Glyn asked about work being undertaken to provide more support to small businesses. The Cabinet Secretary said Business Wales¹⁸ will be supplying support and assistance to businesses to ensure they receive funding if compliant with the Economic Contract and Calls to Action. Signposting of other services would be supplied if this route was not an option.
- 4.6 Leighton Jenkins said regional economic development is fundamental and he hoped the Chief Regional Officers would have the resources to deliver the Economic Action Plan. He added it would be helpful to cross reference that work with the planning framework. The Cabinet Secretary said the Chief Regional Officers would be properly resourced. He added the next steps are to develop and implement our approach to regional economic development, which will bring together the Welsh Government, local authorities and business and will complement the growth and city deal arrangements.

5. Social Business Sector in Wales

- 5.1 The Cabinet Secretary for Economy and Transport said he is absolutely committed to supporting social enterprise in Wales and recognised the importance of social enterprises to the economy. He said Michael Sheen is currently undertaking an independent piece of work to develop a vision for the sector in Wales along with a review of the current landscape. The Cabinet Secretary said it is important to utilise the work Michael is undertaking. He added the British-Irish Council is supporting the social enterprise network.
- 5.2 Derek Walker said Michael Sheen is a fantastic ambassador for the sector and he would ensure to align with his work, so they come together. He said the reason for the agenda item he is seeking social partners support in developing a strategy for the sector. Derek said the ambition is to double the size of the sector in the next decade if everyone works together.

¹⁷ The mission of the [Organisation for Economic Co-operation and Development \(OECD\)](#) is to promote policies that will improve economic and social well-being of people around the world. The OECD provides a forum in which governments can work together to share experiences and seek solutions to common problems.

¹⁸ [Business Wales website](#).

- 5.3 Derek said he understands the Welsh Government wants to reduce the number of strategies, but the Economic Action Plan and the Prosperity for All: the national strategy¹⁹ gave little detail about the social business sector and how inclusive growth will be achieved. He said the sector is doing it for itself involving social partners such as business, including the Institute of Directors, and trade unions and Legal & General. Derek said Legal & General provided access to finance for social businesses on an interest free basis.
- 5.4 Derek said he had worked with the Wales TUC and the Welsh Government on the pilots being undertaken in the Better Jobs Closer to Home programme²⁰. He said the learning as a result of the procurement will make a real impact on the sector and SMEs generally.
- 5.5 Derek said the Wales Co-operative Centre and the Bevan Foundation recently published a Report on changing the way we connect with people and do business with one another²¹. The Report highlights six steps²² to achieving an inclusive economy in Wales and argues that boosting equality should be put at the centre of economic development. Derek said he has two requests:
- wider parties engagement with the Report, not just today; and
 - to talk with officials about the Report and the next steps.
- 5.6 Ben Cottam welcomed the Report and said the FSB included many social members. He said Derek's requests were reasonable and provide an opportunity for better visibility. Ben said social enterprises are part of the regional economy and he would be happy to sit down and discuss the way forward with other partners.
- 5.7 Robert Lloyd Griffiths thanked Derek for the Report and recognised the significant contribution the social economy has to the economy. He agreed working together is the way forward.
- 5.8 Lloyd Powell agreed with what had been said: it is about ownership and economic and social impacts. He said business advice is a small part, and access to finance and legal advice were also needed.
- 5.9 Ceri Williams welcomed the paper and the Report. He said the Wales TUC shares the Welsh Government's ambition for a Fair Work future for Wales,

¹⁹ <https://gov.wales/newsroom/firstminister/2017/170919-new-national-strategy-for-a-more-prosperous-wales/?lang=en>

²⁰ [Leader of the House and Chief Whip made an oral update on the Better Jobs, Closer to Home Programme](#), 5 June.

²¹ [Creating an inclusive economy in Wales](#), 2 June 2018.

²² Grow the Foundational Economy; Grow the social business sector; Boost pay and conditions; Make the most of procurement; Connect people to jobs; Listen to people.

which will require a transformation of the Welsh economy across all existing sectors and that social business will play its part in this.

- 5.10 Derek asked whether the social enterprise assist scheme would be eligible for funding if it meets the requirements of the Economic Contract. He said he would be in touch about it.
- 5.11 The Cabinet Secretary agreed for Welsh Government officials to sit down with Derek in partnership with everyone in the room.

ACTION: Welsh Government Economic Action Plan implementation officials to meet Derek Walker to discuss taking forward the Wales Co-operative Centre and the Bevan Foundation's recently published Report on changing the way we connect with people and do business with one another.

6. (6a) Note and (6b) Actions from meeting held on 1 February 2018

- 6.1 The Cabinet Secretary for Economy and Transport said a note of the meeting of 1 February meeting had been circulated to members. Members were asked for comments and to agree the note.
- 6.2 The meeting note was agreed.

7. Next Meeting

The Cabinet Secretary for Economy and Transport said the next meeting is on 22 October.

8. Any Other Business

Wales Employment and Skills Board (WESB) Update

- 8.1 The Cabinet Secretary for Economy and Transport said he was pleased WESB are formally part of the Council and invited Sasha to give an update on the skills agenda.
- 8.2 Sasha Davies provided key highlights of recent WESB work, including the need for skills in construction and STEM. She said in North Wales the Regional Skills Partnership is working with colleges and industry. Sasha said it is important to link skills and engage regarding Regional Economic Plans. She said WESB supports the Welsh Government's Employability Plan²³ which aims to bring people back into work and fill skills gaps. Sasha said there is a construction sector skills gap that needs to be filled, citing Wylfa Newydd as an example.

²³ [Prosperity for All: Employability Plan](#), 21 March 2018.

- 8.3 Sasha said careers advice needs closer working with business needs. She also questioned what fair work really means.

Wylfa Newydd update

- 8.4 The Cabinet Secretary asked if Sasha could provide an update on Wylfa Newydd.
- 8.5 Sasha provided an oral update, stating the Secretary of State said Wylfa Newydd will be the next build and had been welcomed by Welsh Ministers. She said it will make a significant contribution to Wales and GDP. Sasha said there are ongoing discussions with the UK Government and the Welsh Government regarding the socio economic benefits to Wales and is linked to the North Wales Growth Bid²⁴. She said the Planning application is expected by 2019/2020 on Wylfa Newydd.
- 8.6 Martin Warren said there is a lengthy training period to create skills and can be linked to the apprenticeship scheme. He also asked if the training had been refocused. Sasha said there is a three year window to ensure we have mathematicians/engineers coming in, which will be down to Welsh Government and private sector resources. She added there is still concern around the apprenticeship levy not doing what it had set out to do. She added the challenge is the number and where the apprentices will come from.
- 8.7 Ifan Glyn said it is quite a rural area where Wylfa Newydd is and will need a skilled workforce, which will put pressure on small businesses. Sasha said the Regional Skills Partnership is working with government trying to avoid there being a shortage of skilled workers.
- 8.8 Lloyd Powell said he was concerned that level 7 apprenticeships are not being supported at the moment.
- 8.9 Leighton Jenkins said he welcomed the recent announcement Professor Phil Brown will be reviewing Digital Innovation for the Economy and the Future of Work in Wales²⁵.
- 8.10 The Cabinet Secretary said apprenticeships and Professor Brown's review will be on the agenda for the next Council meeting.

ACTION: Apprenticeships and Professor Phil Brown's review of Digital Innovation for the Economy; and the Future of Work in Wales to be put on the agenda for the next Council meeting.

9. Close

²⁴ [North Wales Councils Launch Multi-million Pound Growth Bid for North Wales](#), December 2017.

²⁵ [Terms of Reference of the Review](#), 24 May 2018