

Agenda – Economy, Infrastructure and Skills Committee

Meeting Venue:	For further information contact:
Video Conference via Zoom	Robert Donovan
Meeting date: 9 December 2020	Committee Clerk
Meeting time: 09.15	0300 200 6565
	SeneddEIS@senedd.wales

Private pre-meeting (09.15–09.45)

In accordance with Standing Order 34.19, the Chair has determined that the public are excluded from the Committee's meeting in order to protect public health. This meeting will be broadcast live on www.senedd.tv

1 Introductions, apologies, substitutions and declarations of interest
(09.45)

2 Paper(s) to note

2.1 Letter from the Chair to, Transport for Wales

(Pages 1 – 2)

Attached Documents:

EIS(5)–26–20– Paper 1 to note



2.2 Letter from the Chair to the Minister for Economy, Transport and North Wales
(Pages 3 – 6)

Attached Documents:

EIS(5)–26–20– Paper 2 to note

2.3 Letter to the Chair from Development Bank of Wales
(Pages 7 – 9)

Attached Documents:

EIS(5)–26–20– Paper 3 to note

3 Remote Working: Implications for Wales – Academics
(09.45–10.45) (Pages 10 – 20)

Professor Alan Felstead, Research Professor, School of Social Sciences, Cardiff University

Dr Jane Parry, Southampton Business School, University of Southampton

Attached Documents:

EIS(5)–26–20– Paper 4: Research Brief

Break (10.45–10.55)

4 Remote Working: Implications for Wales – Business
(10.55–11.55)

Dr Llŷr ap Gareth, Senior Policy Adviser, Federation of Small Businesses

Paul Slevin, President, Chambers Wales

Ian Price, Wales Director, Confederation of British Industry (CBI) Wales

5 Motion under Standing Order 17.42(ix) to resolve to exclude the public for the remainder of the meeting

(11.55)

6 Private

(11.55–12.15)

Consideration of evidence following the meeting

James Price
Chief Executive
Transport for Wales

30 November 2020

Dear James,

Thank you for attending Committee on 18 November. Your evidence was very useful and members appreciated the frankness of your responses to our questions. We also look forward to seeing the financial details you could not discuss today when you can release them.

While we touched on transfer of the Core Valley Lines (CVL) and the delivery of the South Wales Metro in the session, Members had further questions on those topics that we did not have time for. As these are quite technical in nature it may be better that you answer them in a letter in any case.

The Committee welcomes your reassurances that the upgrade to the Metro is ‘baked in’ and the planned investment will go ahead under the new arrangement between Transport for Wales and Amey Keolis Infrastructure Limited (AKIL).

We would appreciate further information on the terms of the CVL transfer, and arrangements for their operation and regulation:

1. The Committee has previously indicated that reporting on investment should be at least as transparent as previous Network Rail reporting, and that the transfer provides an opportunity to provide greater transparency. With this in mind, please can you set out the arrangements that have been put in place to report on the



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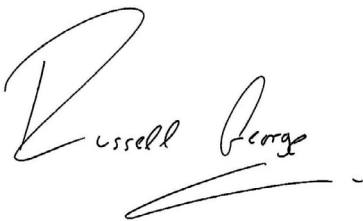
investments being made in the Core Valley Lines? Please can you include detail arrangements for:

- Enhancement investment; and
- Operational Maintenance and Renewal investment.

2. Please can you also set out more generally what measures will be in place to report on operational performance of the lines; and of AKIL's activities in relation to the above bullet points?
3. Members are also interested in the regulation of the Core Valley Lines. Please could you set out how the lines are regulated, and specifically the roles played by AKIL, Transport for Wales, the Welsh Government, Network Rail and the Office of Road and Rail and how they all interact within the regulatory space?
4. Finally, could you outline the nature of the expected contract with AKIL, specifically whether this will focus on delivery of the infrastructure project or whether it is your expectation that AKIL will act as infrastructure manager in the long-term.

Thank you again for your time, and for your openness in responding to the Committee's questions.

Yours Sincerely,

A handwritten signature in black ink that reads "Russell George". The signature is written in a cursive style with a large initial 'R' and a long horizontal stroke at the end.

Russell George MS

Chair: Economy, Infrastructure and Skills Committee



Ken Skates MS: Minister for Economy, Transport
and North Wales

Lee Waters MS: Deputy Minister for Economy and
Transport

01 December 2020

Dear Ken and Lee,

Thank you for attending the Economy, Infrastructure and Skills Committee meeting on 25 November. The Committee very much appreciates you and your officials giving two hours of your time on this occasion, which allowed us to cover the significant number of issues arising since our last general ministerial scrutiny session in February. It was an extremely useful session, and I'm writing to follow up on a few matters.

Commercial Property Delivery Plan

The Committee was told that the SQW Report 'Market Analysis and Potential Interventions' dated March 2020 and published in August, supercedes the Property Development Plan and "is now the property development plan". The Committee did have some concerns about the assertion that the impact of the pandemic since that report was prepared has not had a significant effect on the assumptions made. As was noted in the meeting, the situation regarding surplus and shortage of different types of commercial property varies greatly in different parts of Wales, and Welsh Government's remote working proposals also need to be factored into future plans. The Committee also appreciates that the situation with regard to private sector demand is still volatile and uncertain, and an update on this in 2021 will be useful to the successor committee. In the meantime the Committee would welcome receiving further detail on the costs now attached to the property development plan, with a view to pursuing this further during budget scrutiny, and also welcomes the



Minister providing an update on developments with the Asset-backed Development Vehicle proposal.

The Committee also welcomes the Minister undertaking to ask Finance officials to send more information on the effect on Land Transaction Tax take and changes in rateable value as a result of the pandemic.

Regional Development – Governance and Lines of Accountability

We discussed the role and function of various bodies and agents involved in regional development planning and delivery – the Chief Regional Officers (CROs), local authorities, City and Growth Deal boards, Public Service Boards, the new Corporate Joint Committees (CJCs), Transport for Wales, Welsh Government. We were also told that the need for Regional Economic Frameworks has now been “left behind”, and that there is “huge movement” with the development of CJCs. The Committee looks forward to hearing from the Minister with an update on his decision regarding the status of the Regional Economic Frameworks following consultation with the CROs and regional stakeholders.

With all these multiple layers of decision-making and delivery of activities with limited resources, it will be important for this Committee, and its successor, to have assurances about both the robustness of monitoring and evaluation of outcomes, and that there are clear lines of accountability and transparent scrutiny mechanisms to hold those responsible for delivery to account. The Committee will be discussing the recent OECD report on Regional Investment with its author on 2 December, and will welcome that opportunity to hear her views on these governance issues.

Tata Steel

The Committee was grateful for the Minister’s update on the situation but concerned to hear that while the relationship between officials in Welsh Government and the Department for Business Energy and Industrial Strategy (BEIS) was strong and constructive, and that there had been good and regular contact with the Under-Parliamentary Secretary of State for BEIS Nadhim Zahawi and the Secretary of State for Wales, there is currently not a strong relationship with the Business Secretary himself. The Committee hopes that this relationship and dialogue will improve given the urgency needed to respond to Tata’s recent announcement and the implications for the Welsh economy and communities.

A Community Bank for Wales



The Committee welcomes the Minister undertaking to ask the body responsible for setting up the bank, Cambria Cydfuddiannol Ltd (CCL), to provide the Committee with a full briefing note on the status of the regulatory licensing process to set up the bank, the timeframes to which they are now operating, and their view on the original ambition of opening 50 branches across Wales. The Minister also said he would let the Committee know if he could provide the minutes of meetings that he and the First Minister have held with CCL, subject to any redaction of commercially confidential information that might be needed.

Apprenticeship Programme

The Committee welcomes the Minister writing back with a full update on the state of play with the shared apprenticeship model. The Committee was disappointed with the pace of progress with the Apprenticeship Framework Review, noting that it has been a year since the consultation closed, and that it will take many years to review and recruit significant numbers of new apprentices to reviewed frameworks. It would be helpful for the Committee to receive further details of how Welsh Government plan to approach and resource the review of frameworks, which experience tells us will be a considerable and knowledge intensive task. There is a need for urgency in bringing in frameworks that will give young people the best change of access to the labour market. The Committee was pleased to hear that the procurement exercise for the new programme was on track for March 2021.

Ports and Airports: Brexit and Covid-19

The Committee looks forward to receiving the promised briefing note on all the proposed solutions for ports in Wales, particularly in relation to traffic management, at the end of the EU transition period on 31 December 2020.

Bus Emergency Scheme

The Deputy Minister also agreed to share the letter to bus operators setting out the agreement entered into, and the Committee also looks forward to receiving this information.

Many thanks again for your time in Committee and your full and frank responses to our questions.



Kind Regards,

A handwritten signature in black ink that reads "Russell George". The signature is written in a cursive style with a large initial 'R' and a long horizontal flourish at the end.

Russell George MS

Chair: Economy, Infrastructure and Skills Committee



Russell George MS

Chair, Economy, Infrastructure and Skills Committee

SeneddEIS@senedd.wales

2nd December, 2020

Dear Chair,

Further to your letter of 19th November, we have taken the opportunity to consider your points and have set out our thoughts below:

Dealing with each point in turn:

Jobs analysis

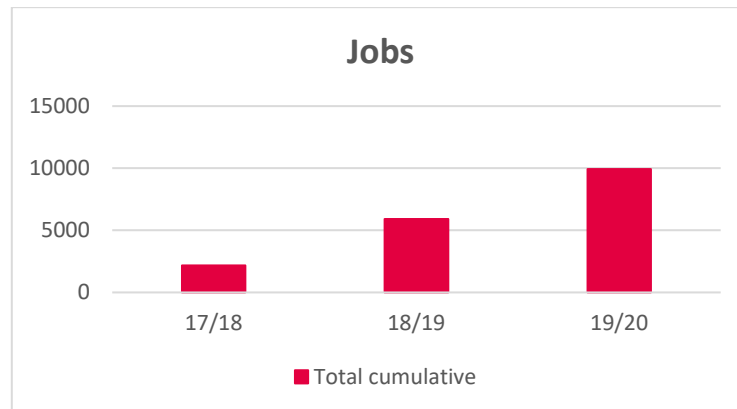
From the outset of DBW, we have sought to accurately measure the impact of our investment activity. Each fund that we deliver has associated performance indicators which are defined at the outset of the fund, and their reporting specified by its stakeholders. In the case of salary data, this has been a long term requirement of EU backed funds and we have recently extended this reporting to cover all investments. Looking at the non-property investment funds our jobs performance on both counts has continued to grow towards the five year target set by the Welsh Government in 2017.

Development Bank of Wales Plc

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Development Bank of Wales Plc is the holding company of a Group that trades as Development Bank of Wales. The Group is made up of a number of subsidiaries which are registered with names including the initials DBW. Development Bank of Wales Plc is a development finance company wholly owned by the Welsh Ministers and it is neither authorised nor regulated by the Prudential Regulation Authority (PRA) or the Financial Conduct Authority (FCA). The Development Bank of Wales has three subsidiaries which are authorised and regulated by the FCA. Please note that neither the Development Bank of Wales Plc nor any of its subsidiaries are banking institutions or operate as such. This means that none of the group entities are able to accept deposits from the public. A complete legal structure chart for Development Bank of Wales Plc can be found at www.developmentbank.wales





Although it is correct that we are unable to combine the gender and gender split we do measure the quality of jobs created in terms of salary and our most recent data suggests that 50% of full time equivalent jobs within businesses supported by Development Bank of Wales investment are in median to high earnings.

An area of focus is to monitor the take-up of our products and services by a diverse base of entrepreneurs and we do monitor this for directors. Data shows that 29% are female and 3% BAME.

It is worth noting that in the Economic Intelligence Wales quarterly brief, a team from Cardiff Business School assessed the impact of DBW's activity on the Welsh Economy, and drew the following conclusion:

“Every £1m of Development Bank investment can be connected to an estimated £2.3m of Welsh GVA. The Welsh GVA connected to the 800 jobs created as a result of Development Bank investments is estimated at almost £30m. The estimated Welsh GVA connected to the total of almost 2,800 jobs created and safeguarded is around £110m, however when multiplier effects are added this figure grows to more than £181m. This figure should be considered as a conservative estimate of impact as it relates to short term job and GVA effects only. Development Bank of Wales’ investments are likely to have wider and longer term impacts not fully captured by this analysis, including for example more difficult to quantify impacts on firm efficiency and productivity.”

We will continue to strive to provide better analysis of all available data in line with the challenge of not wanting to over-burden our small business customers.

Sources of Capital

The team have been working with our colleagues at the Welsh Government to best understand the funding needs in the market in light of Brexit and Covid and have moved rapidly to address both exemplified by the creation of Wales Flexible Investment Fund and Covid Wales Business Loan Scheme (“CWBLS”), to address both challenges respectively. We are also working on plans for longer term funding solutions and will be happy to provide details of these to the Committee at future scrutiny meetings.

Risk mitigation and value for money during Covid

At the launch of the CWBLS, we were acutely aware of the urgency of the demand but also the need to best secure the funding. We note the request of the committee for further detail to be provided in the next annual report.

CWBLS loan refinance

As mentioned in the Committee hearing, at the time of the launch of the Covid Business Interruption Loan Scheme (“CBILS”) guarantee mechanism by the British Business Bank (“BBB”), it was unclear to either of DBW or BBB whether publicly funded organisations qualified for the guarantee. In due course the Treasury confirmed to a number of similar applicants including DBW that it was not intended to use the public guarantee to insure public funds. It is possible that CWBLS loans could be refinanced by a CBILS lender on an individual basis and a small number of businesses initially supported by CWBLS have already taken the opportunity to repay our loan where an alternative loan has been made available. We have an on-going dialogue with the main private-sector lenders to facilitate this arrangement, where appropriate. This is not something on which we can insist unilaterally so it is entirely up to the borrower if this is something that they wish to consider.

Please do not hesitate to come back to us if you require any further information or there were other thoughts in light of this letter.

Yours sincerely,



Giles Thorley

Chief Executive

Agenda Item 3

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