Agenda – Economy, Infrastructure and Skills Committee

Meeting Venue: Video Conference via Zoom
Meeting date: 10 March 2021
Meeting time: 09.15

For further information contact:
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Committee Clerk
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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
(09.45)

2.1 Letter from the Minister for Housing and Local Government
(Pages 1 – 2)

Attached Documents:
EIS(5)–8–21 – Paper to note
2.2 Letter from the Minister for Economy, Transport and North Wales

Attached Documents:
EIS(5)–8–21 – Paper to note

2.3 Letter from the Minister for Economy, Transport and North Wales and Deputy Minister for Economy and Transport

Attached Documents:
EIS(5)–8–21 – Paper to note
EIS(5)–8–21 – Annex to note –1
EIS(5)–8–21 – Annex to note – 2

3 General Ministerial Scrutiny
(09.45–10.45)  
Ken Skates MS, Minister for Economy, Transport and North Wales
Lee Waters MS, Deputy Minister for Economy and Transport
Simon Jones, Director Economic Infrastructure
Sioned Evans, Director Business and Regions
Huw Morris, Group Director SHELL
Russell Roberts, Deputy Director, Trade and Investment

Attached Documents:
EIS(5)–8–21 – Research Brief

Break (10.45–10.55)

4 General Ministerial Scrutiny
(10.55–11.55)
Ken Skates MS, Minister for Economy, Transport and North Wales
Lee Waters MS, Deputy Minister for Economy and Transport
Simon Jones, Director Economic Infrastructure
Sioned Evans, Director Business and Regions
Huw Morris, Group Director SHELL
Russell Roberts, Deputy Director, Trade and Investment

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
Dear Russell,

I am writing in accordance with the inter-institutional relations agreement to let you know that the British-Irish Council (BIC) Digital Inclusion Work Sector Ministerial Meeting will be held this week on Friday 5 March. Member Administrations have agreed to hold a virtual meeting which will be hosted by the Isle of Man. As the Minister with responsibility for digital inclusion, I will be representing the Welsh Government.

The meeting is an opportunity for Member Administrations of the BIC to discuss digital inclusion, a key social justice and equalities issue, and the activity ongoing across administrations to ensure people are able to, engage with, and benefit from the rapid pace of technological change taking place in society. Furthermore, it will provide an opportunity to discuss the impact the pandemic has had on the digital inclusion agenda and the critical role we must continue to play to help citizens become digitally confident, a combination of motivation, basic digital skills and access.

The meeting will provide an opportunity for Ministers to reflect ongoing wider work across the sectors on the theme of online safety, while also agreeing the Forward Work Plan.

A communiqué will be agreed by the council at the meeting and I will update the Committee about its publication and the outcome of the meeting, in due course.
I have written in similar terms to the chairs of the Legislation, Justice and Constitution Committee, Mick Antoniw, MS, Equality, Local Government and Communities Committee, John Griffiths MS, Children, Young People and Education Committee, Lynne Neagle, MS, and Culture, Welsh Language and Communications Committee, Bethan Sayed, MS.

Yours sincerely,

Julie James
Y Gweinidog Tai a Llywodraeth Leol
Minister for Housing and Local Government
Dear Russell,

CARDIFF AIRPORT

I am writing to share with you a Written Statement that I will issue shortly today on the future support for Cardiff Airport.

COVID-19 has had an inconceivable impact on all of our lives, locally and around the globe. The pandemic continues to cause major disruption to all aspects of our lives and the economy, and the travel industry has been one of the hardest hit; devastated by the curtailment of virtually all passenger flights, deserted airports and entire fleets grounded.

Further to the unprecedented package of support that we have already put in place to support individuals and businesses across Wales, today I will set out a financial package to provide specific support to CIAL in the medium term, against a five year rescue and recovery plan. This maximises the recovery of our loan investment and provides sustainability for the airport while delivering the lowest lifetime cost option. It provides the best way forward on strictly commercial/market investor terms, while acknowledging the unavoidable risks and uncertainties created by the global crisis in the industry.

The package of support will not only sustain the future of thousands of direct and indirect jobs but it will also continue to ensure Wales has a place on the global stage – protecting our international airport which is a vital piece of our transport infrastructure.

The rescue and recovery plan will be performance managed regularly in order to evaluate and protect our ongoing investment. Further to this, my officials are also in the process of reviewing the governance of Cardiff Airport and strengthening the role that Holdco will play moving forward. I will let you know the outcome of those deliberations in due course.

Pack Page 3
The full details of the financial support package are provided within the Statement attached and I will be attending the EIS Committee on 10 March.

Yours sincerely,

Ken Skates AS/MS
Gweinidog yr Econom, Trafnidiaeth a Gogledd Cymru
Minister for Economy, Transport and North Wales
Russell George MS
Chair
Economy, Infrastructure & Skills Committee

3 March 2021

Dear Russell,

We refer to your letter of 15 February, following-up on matters that arose during our appearance before the Committee on 3 February.

We are pleased to respond to the Committee’s queries as follows:

**Comparative support across the nations**

*Firstly the Committee looks forward to receiving the promised comparative table setting out the levels of support being offered to businesses across the different nations. The Committee has already recommended provision of this information in its scrutiny report on the Welsh Government’s Draft Budget for 2021/2022. We appreciate the narrative for that table will need to reflect and explain a complex picture, with variations in eligibility criteria and thresholds. However it is important for Welsh businesses and the public to fully understand the basis for Welsh Government’s confidence that it is offering a higher level of business support than in England, Scotland or Northern Ireland.*

*The Committee welcomes Welsh Government’s ongoing monitoring and assessment of the cumulative effectiveness of the range of support packages, including the impact of Economic Resilience Fund eligibility criteria on smaller businesses. We also welcome a willingness to learn from initiatives elsewhere in the UK, such as Northern Ireland’s latest Newly Self-Employed Support Scheme, when refining the Welsh support package. We look forward to the flagged further announcements to come on business support within the current financial year budget envelope.*

We welcome the Committee’s observation on wider UK support which always provides the opportunity for reflection. As part of considering the latest package of support pre financial year end, we have reviewed the range of support schemes in Wales against refreshed UK
wide intelligence both in terms of the quantum and package of support. This includes the Self Employed Support scheme in Northern Ireland (NI) and would note that in Wales we introduced in the summer of 2020 both the £5m Start Up support grant followed by close to £50m committed to the Local Authority delivered discretionary grants aimed at those smaller businesses that for example are new or are not registered to pay non-domestic rates.

A direct comparison across the home nations of the UK is challenging due to variations in the terms and conditions and periods for which various grant schemes cover. However for the period 20 December 2020 to the 1 March 2021 the comparison below is possible. At a headline level we would advise some caution in use of this table due to the following factors:

- Eligibility and level of schemes in wider UK are often both discretionary and at different levels for different periods. Either side of the committee rolling support in Scotland and NI were reduced.
- We clearly do not control schemes in other areas, as discussed at Committee England for example now has two support schemes in operation, a block grant and a rolling 42 day scheme without clarity on timeline – both are covered in table.

UK Home Nation Grant Comparator Table – 20 December 2020 – 1 March 2021
Please note this table is provided with the caveats that;
- Comparisons are based on known data at the point of drafting only and highly likely to change.
- Many of the schemes are discretionary so assumes eligibility and access and we are not sighted on approval or application rates.
- Statistics, eligibility, dates and rates changes regularly. For example NI have released 10 new schemes this year and have a total of 30 schemes now closed to new applicants but with data remaining online.

<table>
<thead>
<tr>
<th>Period 20th December to 1st March</th>
<th>Business property rateable value (RV) £15k and less</th>
<th>RV £15-£50k</th>
<th>RV £50-£500k (SME only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>England (2 schemes)</td>
<td>£6,000</td>
<td>£9,000</td>
<td>£13,500</td>
</tr>
<tr>
<td>Northern Ireland Retail (to 5th March)</td>
<td>£8000</td>
<td>£12,000</td>
<td>£16000</td>
</tr>
<tr>
<td>Northern Island Hospitality</td>
<td>£8000</td>
<td>£12000</td>
<td>£30000</td>
</tr>
<tr>
<td>Scotland retail</td>
<td>£10,000</td>
<td>£10,000</td>
<td>£15,000</td>
</tr>
<tr>
<td>Scotland Hospitality</td>
<td>£10,000</td>
<td>£10,000</td>
<td>£32,000</td>
</tr>
<tr>
<td><strong>Wales - All Business</strong></td>
<td><strong>£6,000 - £10,000</strong></td>
<td><strong>£10,000</strong></td>
<td><strong>£10,000</strong></td>
</tr>
<tr>
<td>ERF - Wales 60% or more negative turnover impact for HLT and supply chain only (10k business). Grant linked to employment and operating costs</td>
<td>£6,000 (4 emp.)</td>
<td>£15,000 (10 emp.)</td>
<td>£100,000 would require costs over the two month period – likely intervention of £35,000.</td>
</tr>
<tr>
<td>Wales Max*</td>
<td>£16,000</td>
<td>£25,000</td>
<td>£110,000 / £45,000</td>
</tr>
</tbody>
</table>
* Does not include the new £30m SME ERF sector fund in Wales for hospitality, leisure and tourism (HLT) and associated supply chain businesses which would see a 10 employee company receive up to an additional £15k in March.

The table shows that when combined, the NDR linked grants and ERF grants in Wales mean that the value of the support package for the most affected group of businesses (HLT) exceeds that available in other parts of the UK and also in the majority particular for smaller business in the Non Essential Retail sector.

Restrictions Business Fund coverage

We were told that the ‘maximum cohort’ of 67,000 businesses would be eligible for the additional £200m allocated in the latest round of the fund, but that ‘in all likelihood’ you expected the number of claimants to be lower, and that the expected surplus would be used ‘in the next steps’. Can you expand on the reasons why you expect a lower level of claims?

The 67,000 (businesses) is based on an estimate of qualifying business properties as derived from the non-domestic rates (NDR) database across all sectors.

Previous NDR linked grant schemes have not been targeted specifically on NERHLT sectors. As such, an estimation of the number of qualifying NERHLT properties was made and thus the package is based on the maximum number potentially eligible. In addition and in response to lessons learnt from the first phase, for the Restrictions Business Fund, businesses were required to register their details with local authorities for the NDR linked grant – this meant the service also becomes demand led.

Also, supply chain companies were included in the estimates on the basis that they would have been materially impacted but not closed by alert level 4. Part of the criteria for receiving a grant involved declaring that the various restrictions imposed during December had generated a negative impact (40% or more reduction) in their turnover levels. Some businesses occupying eligible properties would not have been adversely affected to this extent, thus the level of claims was expected to be lower than the maximum number of properties.

It was not possible to assess the degree to which the actual level of demand would be lower than the maximum eligible number of properties in advance given the evolving nature and effect of the restrictions on particular types of businesses. We estimate the average level of support for each round of support (Dec- Jan and Feb-March) will fall close to 40k properties each round.

Restrictions Business Fund – Local Discretionary Grant

We discussed the policy imperative behind Welsh Government’s approach to business support, which aims to direct funding to save as many jobs as possible ‘in the round’. Discretionary funding for local authorities to plug any resulting gaps in support to some smaller businesses is welcome. However, Members are still aware of many businesses on the margins of eligibility, in particular sole traders and micro businesses who do not meet the PAYE, VAT, property or other criteria for the Restrictions Business Fund. Or whose businesses are classified in such a way that they have found it difficult to access support.

The Committee would welcome Welsh Government reviewing the discretionary guidance to local authorities, which based on Members’ case work would appear to
have become more restrictive. While audit and fraud prevention are important considerations, it would be helpful if the Minister could elaborate on how genuine that level of discretion is, and how risk-averse local authorities are being in exercising that discretion. Members also hope that all avenues are being explored for newer sole traders and micro businesses to provide evidence of their trading status and eligibility for discretionary funding to local authorities.

Since the start of the pandemic, local authorities have worked tirelessly alongside the Welsh Government to deliver emergency support grants to businesses. Throughout, the guidance produced to support delivery of the various schemes has been co-developed alongside local authorities with invaluable input and co-ordination from the WLGA.

Aligned to its name, the Discretionary Grant is indeed aimed to be discretionary and local authorities have been supported throughout to interpret the principles of the guidance and apply their discretion in what are sometimes highly complex and quite contentious cases. The policy intent throughout has been to provide support wherever possible to legitimate and eligible businesses, using the discretionary fund to address gaps in wider support schemes such as the self-employment income support scheme (SEISS) and many of the examples to which the committee comments.

In cases where further information or evidence is needed to support an applicant’s case, local authorities have been actively requesting and reviewing this to help inform their decision making processes. We also keep guidance and eligibility criteria under active review taking account of feedback from local authorities and stakeholder groups such as the FSB.

We of course continue to monitor and ensure provision for gaps in support, start-ups, taxi drivers, shared accommodation tenants and sole traders to name a few covered by the Discretionary Fund. The Committee is right to point out that finding a balance between competing factors is and continues to be a key consideration.

We are happy the Discretionary Fund is delivering its objective and note that it continues to evolve, for example in response to the taxi sector. That said as the pandemic evolves our package need to do the same and we also accept the need to review and update in response to new measures and issues raised by stakeholders and indeed the scrutiny process.

**DBW CWBLS and CBILS**

*We discussed the long term challenges for the Development Bank of Wales in relation to debt consolidation and providing patient capital, and its role to help businesses stabilise in the longer-term. The Committee would welcome any further clarity the Minister can provide on the timescale for setting out future funding to the Development Bank for Covid-19 recovery.*

The existing Wales Flexible Investment Fund (Fund) managed by the Development Bank of Wales (DBW) has been extended. The Fund provides DBW with its most flexible form of funding, supporting a range of deal types, equity and debt and with no geographical restrictions.

The Fund, which has been investing since 2017, has been extended in value to £500m, enabling it to continue to invest for the next 10 years. £270m of supplementary core capital is being added to the Fund which, when placed alongside capital already invested in the Fund (£97m), re-invested capital from historic funds that are in their realisation phase.
(£103m) and funds which will be re-cycled during the investment period itself (£30m) create the £500m total.

This funding will ensure that the DBW is able to continue investing over £60m per year into general business loans and equity through what we expect to be an extended period of economic recovery and adjustment.

The £500m Fund will continue to offer investments of between £25k and £10m with long term investment terms (15 years), to both SMEs and non-SMEs, with viable business propositions to ensure continued economic activity in Wales.

DBW expect the fund to make over 2,000 investments in over 1,800 businesses – based on an average deal size of c.£250k. This will safeguard and/or create over 24,000 jobs. With private sector leverage of 1:1 the £500m investment will generate a total investment of £1bn in to the Welsh economy over the next decade.

Overall DBW expect the majority of funding to be deployed through 5-year loans. However the Fund is flexible and will support a broad range of needs including: micro-loans under £50k, working capital, 5-15 year loans, and equity at early, later and follow-on stages. We are facing high levels of uncertainty at this point in time and so a review at 12 – 18 months and a mid-term review in 2024/25 have been built into the offer at which point, approach targets and outputs will be revised as necessary to ensure they remain challenging but appropriate to the prevailing economic context.

A key challenge out of Covid will be consolidation and patient capital. The cost of finance is often confused with affordability. It is important to be able to provide funding over a sufficiently long term to make debt repayments affordable.

In the recent Patient Capital review by the UK Government, it was noted that ‘the lack of patient capital is a significant impediment to UK entrepreneurs’ success. It went on to say, ‘One major challenge for growing businesses aiming to reach scale is a lack of available “patient capital”. The Wales Flexible Investment Fund provides a ready source of long-term capital which will be even more crucial in the post Covid recovery phase.

Future support at different alert levels

We note the financial uncertainty after the end of this financial year, as outlined by the Deputy Minister, alongside the need for tapered business support to manage ongoing uncertainty. However the Committee would welcome more detail from the Minister if possible, to set out policy intentions about the kind of support different types of businesses should expect to be in place for each alert level of restrictions, pending the availability of the necessary.

There remains an acute need for on-going emergency support for hospitality, leisure and tourism (HLT) businesses through February and March 2021 given the extension of Alert Level 4 restrictions to complement other UK Government and Welsh Government schemes. A further £30m phase of the Economic Resilience Fund Sector Specific Support (SSF) will provide emergency financial support in 2020-21 targeted specifically at small, medium and larger HLT business and related supply chain businesses has to cover costs falling into bills owing in February and March 2021.
A grant will be provided to eligible businesses based on £1,500 per job safeguarded or fixed operating costs for February and March (whichever is the lowest) with upper limit of grant determined under Covid-19 Temporary Framework (£690k cumulative support).

We also recognise the critical importance to business of the March 12th review. With the upcoming Easter Holidays officials are in advance development of a further top up to the Non Domestic rates grants with a particular focus on micro business in the HLT sector and larger retailers to design a package that aligns with any extension to alert level 4 restrictions or alert level 3.

Workplace safety

*Concerns about adherence to workplace safety regulations were discussed with the Deputy Minister. The Committee welcomes the commitment to share correspondence between the First Minister and the Parliamentary Under-Secretary of State for Transport on the situation at the Driver and Vehicle Licensing Agency (DVLA) headquarters, and to be kept updated on any further developments.*

Please find attached 2 letters from the First Minister.

We were pleased to note that on 27 February, Pubic Health Wales (PHW) noted there had been no linked cases among call centre staff in the past 28 days. It will continue to monitor the situation.

PHW has been working with Swansea Council, Swansea Bay University Health Board and the Health and Safety Executive, and meeting regularly to help the DVLA with managing the workplace.

We adopt a Social Partnership approach in Wales and have the Health & Safety Forum too.

We received numerous concerns about inconsistencies with the standard of cleaning and hygiene measures, the quality of the ventilation and insufficient social distancing in stairwells and other high ‘traffic’ areas.

It is imperative that the UK Government and its agencies set the right example in the conduct of its operations and keep its workforce, local community and Wales safe.

Yours sincerely,

Ken Skates AS/MS
Gweinidog yr Economi, Trafnidiaeth a Gogledd Cymru
Minister for Economy, Transport and North Wales

Lee Waters AS/MS
Dirprwy Weinidog yr Economi a Thrafnadlaeth
Deputy Minister for Economy and Transport
Dear Baroness Vere,

I am writing about the declaration of a Coronavirus outbreak at the DVLA contact centre in Swansea on 21 December.

We have been concerned about transmission risks at the DVLA site for several months and since September, a team including Public Health Wales, Swansea Council, the Health and Safety Executive and the local Health Board, has been mobilised to assist the DVLA with managing the impact of Covid-19 in the workplace.

The last three weeks has seen a further increase in confirmed cases of COVID-19 amongst workers at the site and we are continuing to receive concerning reports about workplace measures and practices at the site.

As the UK Minister responsible for the DVLA’s operations, I ask that you ensure the DVLA contact centre in Swansea is operating safely and in compliance with the Coronavirus Regulations and Guidance in Wales. In particular, I am seeking your assurance that:

- A COVID-19 risk assessment has been undertaken in discussion with the workforce and/or their recognised trade union and that the results have been shared with the workforce.

- Workers are being supported to work from home where this is possible and that workers are not being required or placed under pressure to attend the site if there is not a clearly demonstrated business need for them to do so.
• All reasonable measures are being undertaken to ensure that 2metre physical distancing is maintained at the site and that other reasonable measures are being taken to reduce the risk of exposure to COVID-19.

It is imperative that Government, its agencies and public authorities set the right example in the conduct of its operations and I ask that you ensure the DVLA is doing all it can to keep its workforce, local community and Wales safe.

I look forward to your response.

Yours sincerely

MARK DRAKEFORD
Dear Baroness Vere,

I am writing in response to your letter of 23 December about the approach of the DVLA to coronavirus security in the workplace.

I appreciate the information you provided on the measures that you understand the DVLA is taking, however I am continuing to receive a number of representations from the PCS trade union and indeed from individual workers which provide a contrasting view.

The concerns for staff welfare are numerous and varied, but a consistent view is emerging that staff are being unnecessarily and avoidably exposed to risk and that the actions across the DVLA estate in Swansea are not sufficient to keep the workplace safe.

In broad terms, three common themes have been surfaced through the reports that I have received:

(i) The proportion of staff expected to physically attend the workplace in relation to those working from home.

(ii) Transportation issues and related Covid transmission risks.

(iii) The efficacy and rigour of the DVLA’s approach to risk assessment and reasonable measures.
PCS has indicated to me that the proportion of DVLA staff being required to physically attend the workplace is high in a context where those who can work from home, should work from home. Out of a total staff complement of 3,500 workers in Wales across the Contact Centre, Main Site and Ty-Felin site, more than half (around 1,800 workers) are being expected to physically attend work as opposed to work from home. By way of comparison, I am advised that just 250 workers were physically attending the three sites listed above during the early phase of the pandemic.

I understand local management have proposed an approach which would have the effect of reducing the number of staff attending the workplace at any one time (though not an overall reduction of the total number of staff expected to attend the workplace). I appreciate these proposals are being considered by the trade union and could lead to a position where no more than 600 staff are in attendance across the three sites at any one time, but that this would be achieved at the expense of longer working hours and regular weekend working. Given the seriousness of the situation and the transmissibility of the new variant, I suggest there is a strong rationale for a broadly similar approach to that taken during the early period of the pandemic.

The volume of staff expected to physically attend the workplace also presents a risk in the context of transportation. I understand there are severe capacity issues on the staff bus service and this lack of capacity is leaving workers with little option other than to take alternative options, some of which carry an increased risk of infection and transmission.

Finally, I have received numerous concerns about inconsistencies with the standard of cleaning and hygiene measures, the quality of the ventilation and insufficient social distancing in stairwells and other high ‘traffic’ areas. I am keen to stress the importance of revisiting the risk assessment in the light of the new variant on the virus and that it fully takes into account the circumstances at each site, involves the trade unions and is shared with the workforce.

The pandemic has reached a significant point. We continue to have very high levels of coronavirus circulating in our communities and the NHS is under sustained pressure. The new variant of the virus is an added and unwelcome threat that has the potential to spread wherever people meet. In this context, I urge you to reconsider the approach the DVLA is taking and ensure that the health and safety of the workforce is made the overriding priority through working with the trade unions and the workforce to help keep Wales safe.

I am copying this letter to the Julie Lennard (Chief Executive Officer, DVLA), Andrew Lloyd (PCS National Officer) and Tonia Antoniazzi MP.

Yours sincerely

MARK DRAKEFORD
Agenda Item 3

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