

Agenda – Economy, Infrastructure and Skills Committee

Meeting Venue:	For further information contact:
Committee Room 4 – Tŷ Hywel	Gareth Price
Meeting date: Thursday, 17 November 2016	Committee Clerk 0300 200 6565
Meeting time: 09.00	SeneddEIS@assembly.wales

Private pre-meeting (09:00 – 09:15)

Private pre-inquiry briefing – National Infrastructure Commission for Wales

(09:15 – 09:30)

Gareth David Thomas, Finance and Statistics, Research Service

1 Introductions, apologies, substitutions and declarations of interest

2 Construction and Engineering sectors panel – National Infrastructure Commission for Wales

(09:30 – 10:30)

(Pages 1 – 39)

Neil Sadler, ACE Cymru Wales, Chairman

Mark Bodger, Director of Strategic Partnerships, CITB Cymru Wales

Ed Evans, Director, Civil Engineering Contractors Association (CECA) Wales

Mark Harries, Planning and Policy Advisor Wales, Home Builders Federation

Attached Documents:

Research brief

EIS(5)–10–16 (p1) ACE Cymru Wales

EIS(5)–10–16 (p2) CITB Cymru Wales



EIS(5)-10-16 (p3) Civil Engineering Contractors Association (CECA) Wales

EIS(5)-10-16 (p4) Home Builders Federation

3 Paper(s) to note

3.1 Letter from the Chair to the Cabinet Secretary for Education regarding the Diamond Review

(Pages 40 – 43)

Attached Documents:

EIS(5)-10-15 (p5) Letter from the Chair to the Cabinet Secretary for Education regarding the Diamond Review

3.2 Letter from the Chair to the Finance Committee regarding the Welsh Government's draft budget for 2017-18

(Pages 44 – 47)

Attached Documents:

EIS(5)-10-16 (p6) Letter from the Chair to the Finance Committee regarding the Welsh Government's draft budget for 2017-18

3.3 Letter from the Welsh Retail Consortium regarding the apprenticeship levy

(Pages 48 – 49)

Attached Documents:

EIS(5)-10-16 (p7) Letter from the Welsh Retail Consortium regarding the apprenticeship levy

4 Motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting and the next Committee meeting on 23 November 2016

5 Welsh Government Draft Budget 2017–18 – Consideration on the draft letters to the Cabinet Secretary for Economy and Infrastructure and the Minister for Skills and Science

(10:30 – 10:45)

(Pages 50 – 57)

Attached Documents:

EIS(5)–10–16 (p8) Draft letter from the Chair to the Cabinet Secretary for Economy and Infrastructure

EIS(5)–10–16 (p9) Draft letter from the Chair to the Minister for Skills and Science

Private de–brief (10:45 – 11:00)

Stakeholder event to discuss the proposed National Infrastructure

Commission for Wales – Conference rooms C&D (1st Floor, Ty Hywel)

(11:00 – 14:00)

Agenda Item 2

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Economy, Infrastructure and Skills Committee National Infrastructure Commission for Wales

- **What the role, remit and objectives of the Commission should be;**

CITB Cymru Wales believes the proposed National Infrastructure Commission for Wales (NICW) should:

- Provide certainty around infrastructure projects, including timescales and funding commitments.
- Have a clear and transparent capital budget and seek to maximise capital investment.
- Produce an Infrastructure Skills Plan.
- Ensure construction expertise is involved in the planning and procurement of capital projects.

Certainty

A high degree of uncertainty surrounds many infrastructure projects such as the proposed M4 Relief Road and the Swansea Bay Tidal Lagoon. This makes it difficult for construction firms to plan their recruitment and upskilling approaches. Therefore, CITB Cymru Wales believes the National Infrastructure Commission for Wales should provide clarity and certainty around infrastructure investments.

NICW would do this by producing a long-term pipeline of projects with a clear evidence-base and realistic assumptions on timescales. This should develop the work of the Wales Infrastructure Investment Plan and should be published and updated at regular intervals.

In setting out the remit for NICW, the Cabinet Secretary for Infrastructure (or sponsoring Minister) should publish an annual remit letter setting out key priorities for the body. This could include examination of wider priorities that could benefit from a long-term approach such as investment in home energy efficiency schemes and affordable housing.

Budget

NICW should have a clear and transparent budget for infrastructure investment over a long-term period. In this respect, the recent move to four year capital budget by Welsh Government is a welcome development. NICW should also seek to implement procurement best-practice reflecting the Wales Procurement Policy Statement.

Skills

Training an apprentice in the construction sector typically takes three years and requires significant investment in time and resources from both the employer and the apprentice. NICW should produce a National Infrastructure Plan for Skills, drawing on Labour Market Intelligence to forecast requirements and avoid gaps in demand. CITB Cymru Wales has the capacity to facilitate this process through our Labour Forecasting Tool which has been deployed in the UK Government's corresponding plan.

- **How the Commission should operate, and what methodologies it should adopt for conducting its work;**

NICW should be an independent body and provide recommendations to Welsh Government on infrastructure priorities for Wales. It should seek to include a broad range of expertise on its board, including construction expertise, in order to provide balanced, independent advice and judgement on Wales' infrastructure needs.

It should also base much of its work on a strong evidence-base. CITB Cymru Wales' Construction Skills Network data, published every six months, provides a strong data set on

growth trends in the construction sector and their related skill requirements. This could be used by NICW to inform its recommendations.

- **How the Commission should be governed and funded to ensure its independence from the Welsh Government;**

NICW should have clear governance arrangements that allow for reporting directly into a relevant committee of the National Assembly for Wales. Early dialogue on infrastructure priorities in this way would ensure the evidence-base behind projects is sound and that any issues are identified early, helping to provide certainty.

The remit for NICW should be set out by the Cabinet Secretary for Infrastructure or the equivalent responsible minister as is the case with other bodies at present (such as Careers Wales, Finance Wales etc). The remit letter should include a responsibility for regular consultation with the construction sector.

It should also have a transparent budget based on Welsh Government's recently announced four year capital budget allocation. It should seek to maximise the capital investment based on these funds.

- **Examples of UK and international best practice that the Commission could learn from;**

As mentioned above, the UK Government's National Infrastructure Plan for Skills, produced by the Treasury, provides an interesting approach that could be replicated in Wales. CITB Cymru Wales has significant labour market intelligence that could help forecast the skills requirements of Wales' infrastructure pipeline, including our Labour Forecasting Tool that has recently been deployed in an analysis of the Swansea Bay Tidal Lagoon.

- **How the work of the Commission should incorporate the principles of the Well-being of Future Generations (Wales) Act 2015;**

CITB Cymru Wales believes that the body should seek to implement best-practice in procurement policy, reflecting the Wales Procurement Policy Statement. This should include consideration of the Well-Being of Future Generations (Wales) Act 2015. This is particularly pertinent in relation to Community Benefits policy; with large construction-related capital spend being a significant driver of Community Benefit outcomes.

- **How and to what extent the work of the Commission should influence Welsh Government decision making and prioritisation of infrastructure projects;**

If it is to provide meaningful insight and capacity NICW's recommendations must carry significant weight. We would envisage NICW providing a long-term pipeline of suitable projects through its recommendations to Welsh Government. If Welsh Government were minded not to agree with or fund the recommended projects then there should be a clear onus on them to explain why this is unsuitable.

A similar approach is used for the UK Government's Regulatory Policy Committee (RPC). The RPC provides independent advice and assessment on any new regulations created by the UK Government via a traffic light system. Should the UK Government decide to pursue regulation despite being advised against it by the RPC a full explanation of their reasoning must be published.

- **How the work of the Commission should interact with regional infrastructure priorities and City/Growth Deals; and**

The infrastructure proposals included in the two City Deals and the proposed North Wales Growth Deal could have a significant impact on the Welsh economy. It is therefore crucial that NICW includes an analysis of these proposals in its project pipeline. Where appropriate, public bodies including local authorities should be allowed to commission research and advice from NICW to inform their decision making.

- **What relationship the Commission should have with the UK Government's Commission on cross-border issues and infrastructure in areas that are partially devolved.**

NICW should work closely with the UK Government's Infrastructure Commission on cross-border issues where it is appropriate to do so. It should also draw on the expertise and research of the UK Commission in relation to non-devolved projects in order to inform its own pipeline. For instance, the consenting process for Wylfa Newydd is largely driven by the UK Government; however its skills impact on the North Wales economy will be significant. Therefore, NICW should be factoring the implications and timing of investments such as Wylfa Newydd in to its infrastructure pipeline for Wales, drawing on any work completed by the UK Commission.

About CITB Cymru Wales

CITB Cymru Wales is the sector skills council and industry training board for the construction sector in Wales. Through the CITB Cymru Wales Committee and three regional fora, we work in partnership with government, industry, and education providers to maximise opportunities for skills, training and development within the Welsh construction sector, and to provide the right skills, in the right place, at the right time to support economic growth.

Submission by the Civil Engineering Contractors Association (CECA) Wales to the National Assembly's Economy, Infrastructure and Skills Committee

Thursday 17 November

09:30 until 10.30

To discuss the Welsh Government's plans to establish a National Infrastructure Commission for Wales.

CECA Wales responses to the following issues:

1. What the role, remit and objectives of the Commission should be:

- The role of the Commission should, initially, be to provide independent and evidence based recommendations on infrastructure and related matters to meet the economic, social and environmental ambitions of Wales and the Welsh Government within the context of UK, European and global economic conditions. However, consideration should be given to the Commission developing delivery and investment functions as is the case in other nations.
- Whilst the Commission could initially be established as a non-statutory body (to enable its rapid establishment) it should move quickly to a statutory footing to ensure that its recommendations carry sufficient weight and credibility.
- Strategically its remit should encompass all forms of new infrastructure including social infrastructure such as housing, schools and hospitals. The integration of social infrastructure with transport, for instance, is absolutely essential given the obvious inter-dependencies and the need for connectivity between places of working and living. Operationally consideration should be given to extending its remit to delivery and investment functions either directly, on a commissioning basis or through formal partnerships with others e.g. Welsh Development Bank.
- The objectives of the Commission should be to :
 - Provide independent advice, guidance and recommendations to the Welsh Government on all matters relating to infrastructure including how best to finance and deliver infrastructure programmes;
 - Develop a long-term programme (15-20 years) of prioritised infrastructure projects aligned to the economic ambitions of the nation;
 - Develop an investment strategy to support delivery of the programme;
 - Develop a skills strategy to support delivery of the programme.

2. How the Commission should operate, and what methodologies it should adopt for conducting its work:

- The Commission should operate via a Board of Directors and a small Executive team;
- The strategic direction and governance of the Commission should be provided by the Board of Directors;
- Operational delivery should be managed by a small Executive team of experts commissioning specific pieces of work via appropriate suppliers – although this could increase as the remit of the Commission changes;
- Its initial focus should be on understanding the economic ambitions of the Welsh Government within the context of UK, European and global economic environments and setting out, in broad terms, the infrastructure needed to deliver these ambitions;
- The Commission needs to develop a strong evidence base to inform its decisions;
- It should liaise closely with a wide range of stakeholders across Wales and ensure alignment with other UK infrastructure proposals.

3. How the Commission should be governed and funded to ensure its independence from the Welsh Government:

- The Commission should operate as an “arms-length” body, independent of the Welsh Government, with a Board of Directors, selected via public appointment, with specific areas of expertise;
- It should not be administered by Welsh Government officers but, rather, by a small team of experienced staff to deliver/commission specific pieces of work in support of its objectives;
- It should be funded by the Welsh Government and have a budget which will allow it to commission specific areas of work;
- It should reflect Wales’ diverse communities and should operate/meet across the whole of Wales.

4. Examples of UK and international best practice that the Commission could learn from:

- UK Government National Infrastructure Commission;
- Scottish Futures;
- National Development Agency Ireland;
- Infrastructure Australia.

5. How the work of the Commission should incorporate the principles of the Well-being of Future Generations (Wales) Act 2015:

- The process of embedding the principles of the WFG Act 2015 in Welsh life is at a very early stage;
- The Commission should ensure that all of its outputs consider and report issues against each of the principles so that any justification can be formally considered by stakeholders and other interested parties;
- The Future Generations Commissioner should be a formal consultee to the Commission.

6. How and to what extent the work of the Commission should influence Welsh Government decision making and prioritisation of infrastructure projects:

- If the Commission is to have any value and credibility the outputs of its work (eg recommendations) should be implemented in all cases unless specific consideration is given by Welsh Government Ministers to disregard or amend the proposals. In any instance where the work of the Commission is not implemented a formal report should be presented outlining the reasons why proposals are not progressed;
- Responsibility for the development of an investment strategy to support any proposals is essential if the Commission is to have any credibility and accountability. This should not be limited by a prescribed envelope of funding set by the Welsh Government – particularly as the Commission should also be considering the impacts and benefits of non-devolved and private sector infrastructure projects;
- Recommendations made by the Commission on infrastructure related issues such as future workforce skills should be considered by the appropriate Minister and treated as for direct infrastructure issues.

7. How the work of the Commission should interact with regional infrastructure priorities and City/Growth Deals:

- Given the obvious economic interdependencies and infrastructure connections within the different regions of Wales there needs to be a continuous dialogue between the Commission and the various regional/city bodies to ensure alignment of objectives and priorities and investment;
- NICW should be able to examine regional infrastructure proposals from a broader Welsh perspective to confirm alignment and to identify potential opportunities, impacts and risks for the Welsh economy (similar to Infrastructure Australia).

8. What relationship the Commission should have with the UK Government's Commission on cross-border issues and infrastructure in areas that are partially devolved:

- Given the obvious economic interdependencies and infrastructure connections between Wales and the remainder of the UK there needs to be a continuous dialogue between both Commissions;
- NICW should be able to examine UK infrastructure proposals from a Welsh perspective to identify opportunities, impacts and risks for the Welsh economy;
- Similarly, there should be opportunities for the UK NIC to scrutinise and challenge any proposals put forward by NICW to ensure that all proposals are fully debated and to ensure alignment.

Submission by :

Ed Evans, Director, Civil Engineering Contractors Association (CECA) Wales

3rd November 2016

National Assembly's Economy, Infrastructure and Skills Committee - National Infrastructure Commission for Wales inquiry

- What the role, remit and objectives of the Commission should be;

The role should include a strategic view of housing and although we understand that the commission could not look in detail at specific site allocations, we do consider that an understanding of where there is the greatest housing need, where housing growth is proposed, and the constraints imposed by current infrastructure on the delivery of Housing would be of benefit to the Commission.

- How the Commission should operate, and what methodologies it should adopt for conducting its work;

The Commission should be an open and engaging as possible will all sectors involved in the delivery of infrastructure projects. Key Stakeholders should be identified for each major infrastructure project and form part of any consultation exercise/working group.

- How the Commission should be governed and funded to ensure its independence from the Welsh Government;

Although we are unable to offer a solution to this issue it is a critical one that needs to be resolved if the work is to have any status. We are sure that there must be examples from elsewhere of good and bad practise.

- Examples of UK and international best practice that the Commission could learn from;
- How the work of the Commission should incorporate the principles of the Well-being of Future Generations (Wales) Act 2015;
- How and to what extent the work of the Commission should influence Welsh Government decision making and prioritisation of infrastructure projects;

This will depend on the way the Commission is set up and operates and also the stage its work is at when a decision has to be made on particular issue. Also a number of the likely infrastructure projects which will feature in the work rely on decisions made by the UK Government. Therefore the status of the work in relation to the UK decisions also needs to be considered and set out.

- How the work of the Commission should interact with regional infrastructure priorities and City/Growth Deals; and

The need for the work of the Commission to interact with regional infrastructure priorities and city/growth deals is consider critical to the success of infrastructure delivery in Wales. Currently the Cardiff City deal is in the progress of being finalised and covers 10 of the LPA's in SE Wales, further a City Deal is also understood to be being progressed for North Wales and for the Swansea area. To date the work of Cardiff City Deal has appeared to be taking place behind closed doors and one issue

that the Commission could consider is the need for City Deals to progress in an open and transparent manner with early engagement with key stakeholders.

- What relationship the Commission should have with the UK Government's Commission on cross-border issues and infrastructure in areas that are partially devolved.

Again cross boarder issues are critical in both SE and NE Wales, (M4 and A55 corridors) as both areas are likely to see significant economic and housing growth and therefore are areas where upgraded/new infrastructure will be required to service and allow this growth to take place. Physical Infrastructure takes no account of boundaries so systems must be put in place to ensure consistency in approach across boundaries for infrastructure provision to be successful.

Kirsty Williams AM, Cabinet Secretary for Education
Cathays Park

4 November 2016

Dear Cabinet Secretary

Diamond Review

Following the publication of the Independent review of higher education funding and student finance arrangements (Diamond Review) the Economy Infrastructure and Skills (EIS) Committee were keen to explore how this work will impact on areas in our remit.

At a meeting of the Children, Young People and Education (CYPE) committee on 12 October, Hefin David and I took an opportunity to question Professor Sir Ian Diamond on his report as it relates to the EIS committee's remit.

The following day EIS Committee held a stakeholder session to gather reactions. We were grateful that senior officials from Welsh Government attended this event in order to hear responses directly and feed back to you.

The event heard discussions on the likely impact on the Welsh economy, post-graduate research and the development of higher level skills. To close we also asked for general comments. This letter sets out our conclusions and recommendations arising from that meeting.

Conclusions

The Diamond recommendations have been well received by a wide cross-section of stakeholders. There is particular enthusiasm for the notion that all students – not just those undergraduates aged 18 plus in full-time education – will be



eligible for support based on need. The idea that Wales could lead the way in this approach has been very popular.

It is especially popular with regard to upskilling the existing workforce, many of whom would find support for part-time study alongside their work particularly attractive.

While the Diamond recommendations are seen as a solution to the specific remit given to the review group, there is widespread acknowledgement that there remain other issues in higher education – like recruitment and retention of staff – which will still require further thinking and action.

We are aware that, following their meeting with Professor Diamond, the Children, Young People and Education Committee has recommended that the Diamond recommendations are implemented in full and fully funded for the duration of this Assembly.

Recommendations

We recommend that:

- The implementation of the Diamond recommendations should be integrated with the work going on to ensure that our education system enables individuals to develop the skills which will be needed in the Welsh economy, and the work on a new Economic Strategy;
- Further work will be required to address reforms in higher education which are outside the scope of the Diamond Review;
 - this may include measures to offset the impact of Brexit on overseas recruitment of both students and teaching staff;
 - but also consideration of measures to address the significant impact on lecturers' workloads, especially considering the already high number of international students, particularly postgraduates.

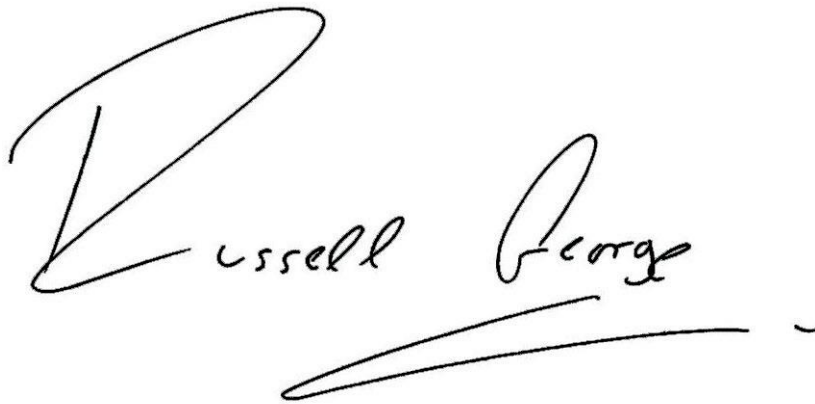


- The Minister for Skills and Science reviews the Welsh Government’s level of support for innovation projects and that the Cabinet Secretary for Education considers how effectively entrepreneurial skills are nurtured in higher education. Committee Members heard that small amounts of financial support for innovation projects can reap significant rewards;
- The Welsh Government actively promotes a more “dynamic” relationship between further education and higher education, including reviewing and evaluating different models of FE/HE collaboration and partnership, which complement rather than replicate. The potential benefits of this are to:
 - encourage the progression of individual students;
 - increase the number of learners attaining higher level skills;
 - encourage more flexible pathways between education/learning (full and part-time); economic inactivity; and employment (full and part-time); and
 - help to regenerate communities with high levels of economic inactivity and deprivation.
- The Welsh Government reviews the ways in which SMEs engage with the higher education sector and ways in which this can be made more effective. SMEs often lack the time, resources and understanding of how to engage with the higher education sector effectively.
- The Welsh Government evaluates the impact of the Diamond Review recommendations. We think this should take place three years after implementation of the changes.

I understand that the Welsh Government will be issuing its response to the Diamond recommendations in the coming weeks, and I trust that the Committee’s consideration of the issues and recommendations will be helpful to you.



Best wishes,

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

Russell George AM

Chair

Economy, Infrastructure and Skills Committee

Cc: Alun Davies AM, Minister for Lifelong Learning and Welsh Language (including Further Education)

Cc: Julie James AM, Minister for Skills and Science

Cc: Lynne Neagle AM, Chair of the Children, Young People and Education Committee



Dear Finance Committee

Welsh Government's draft budget for 2017–18

On 3 November 2016 the Economy, Infrastructure and Skills Committee questioned the Cabinet Secretary for Infrastructure and Skills and the Minister for Skills and Science, as part of our scrutiny of the Welsh Government's draft budget for 2017–18.

I am writing to draw a number of headline issues to your attention.

Inflation

We heard from the Deputy Permanent Secretary that assumptions for inflation in the budget had been based around 2–3%. The National Institute for Economic and Social Research published a forecast on Thursday 3 November suggesting that inflation could rise to 4% by the end of 2017. And while 4% is the headline forecast, it is normal that different sectors will have different, and potentially higher, rates of inflation within each sector.

The infrastructure portfolio contains a number of large-scale, multi-year investment projects – most notably the M4 Relief Road and the South Wales Metro – whose costs could rise considerably, were inflation to rise sharply after a lengthy period at historically low levels.



While an increase in inflation of 1–2% within the financial year 2017–18 is likely to be uncomfortable but manageable within the Economy and Infrastructure portfolio, higher rises in future years could have a significant and negative impact on the cost of long-term multi-million pound projects. It is crucial that the government acknowledges the risk posed by rising inflation not just to the budget, but all its policy goals.

We note too that higher inflation rates would not just impact on portfolios within our remit area, but are a potential risk across all areas of Government activity in the coming years.

We would welcome further details of how the department is modelling the potential impact of higher levels of inflation.

Budget process

In July 2016 the Finance Committee recommended that in future the Welsh Government should publish "greater evidence setting out the rationale behind budget allocations... including details of the anticipated economic impact." The Welsh Government accepted this recommendation.

However, within this year's Strategic Impact Assessment, which covers 10 pages for the whole of the budget, the only reference to enterprise zones states that "research has shown that area based initiatives, like enterprise zones, can have positive impacts on employment and regional GDP." This is one of a number of references to the economy and infrastructure portfolio which lack any of that evidence-based rationale requested by Finance Committee, and agreed by the Government. In response to our questions, the Minister noted that measurement of economic outputs was not an exact science – which is clearly true. But in order for others to assess whether the priorities chosen are reasonable, and whether the anticipated outputs represent value for the public money invested, it is vital that greater effort is put in to sharing the thinking and evidence which underpins the government's spending decisions. That thinking can sometimes be found in other places (we were given an example in the Finance Wales annual report), so should be included in the budget narrative.



Measuring outputs and outcomes

There is also work to be done in ensuring outputs and outcomes are measurable and meaningful. In the current economy, where employment is at record levels, 'jobs created' is not always necessarily the most effective measure of success, nor is it always necessarily the most desirable, particularly if those jobs are not ones which are attractive to, or a good skills match with, the local workforce. Equally, it may be the case that businesses are seeking support from the Welsh Government to increase their productivity and raise their output but without wishing to create jobs and take on additional staff in the process.

The realities of the current economy should always be reflected in both the support available from the Welsh Government and the indicators used to measure success.

In our discussion with the Minister for Skills and Science she noted that her budget lines for innovation, for example, required a longer term view to judge return on investment than a simple grant for job creation.

It is vital that the ongoing work to develop a new economic strategy includes some effort to ensure that outcomes which arise as a result of Welsh Government investment can be more effectively predicted in advance, and measured afterwards. In this way it would be possible to provide truly effective scrutiny of the decisions behind budget allocations, and the net impact of that investment. This will not only allow make it clearer where schemes are unsuccessful,

Cross-cutting themes

The new government has set a high priority on the cross-cutting nature of government portfolios and responsibilities. This move away from silo-ed working which has characterised government at every level is welcome.

However, the current budget is not especially well-presented to capture the impact of these cross-cutting themes. Nor where multiple-departmental budgets feed in to aspirations (eg Active Travel, where spending in the health, local government or economy and infrastructure portfolios could all contribute to the successful implementation of the Active Travel Act.)



Within its own budget, we could not easily identify the total Welsh Government spend on the skills of its own staff, for example. Nor could we say how much is spent on R&D.

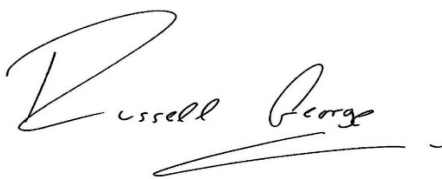
Wellbeing and Future Generations

While both Ministers have clearly stated in their responses to the committee that the principles of the Future Generations have been embedded in all their decision making, it was not clear to us how this was having an impact on budget decisions, nor what – if anything – had changed as a result. When asked for a specific example, the Cabinet Secretary for the economy and infrastructure cited maintaining funding for the Bus Services Support Grant (BSSG) at £25m. This fund has been fixed at £25m since 2013–14 – long before the WFG Act passed in to law.

While the Future Generations Commissioner has indicated she expects the impact of the Act on public bodies – including Welsh Government – to grow over time, it is not clear at present if the new framework is being used to challenge the status quo, or merely to justify decisions that have previously been taken.

Our discussion raised a number of other specific issues, which we will raise and monitor with the relevant Ministers in our regular scrutiny throughout the year.

Yours sincerely

A handwritten signature in black ink that reads "Russell George". The signature is written in a cursive style with a long horizontal flourish underneath.

Russell George AM
Chair
Economy, Infrastructure and Skills Committee



Russell George AM, Chair of the Economy, Infrastructure and Skills Committee

The National Assembly for Wales
Cardiff
Cardiff Bay
CF99 1NA

Dear Chair

I would like to draw your attention to the extreme concern of the retail industry over our understanding that the retail industry and other Levy-payers in Wales will not have any opportunity to see a direct return from their contribution to the Apprenticeship Levy.

During your Committee meeting held on 3rd November 2016 the Minister suggested that there will not be the money available to give back to levy payers to support their apprenticeship development as the provision is not there. It was also suggested that the Welsh Government will be simply moving ahead with their plans as they feel people require clarity. We are hugely disappointed to hear that there will not be the opportunity for our members to engage in consultation on this issue, as has been the case in Scotland, and that it appears there will be no opportunity for our employers to access the funds we have paid in, as will be the case elsewhere in the UK.

As Wales's largest private sector employer, with over 135,000 employees, the retail industry places great value on investing in the skills and training of our colleagues. We believe that it is unfair for medium and large businesses, who already contribute through taxation, to further subsidise apprenticeships and skills training in sectors which most likely don't affect them. If the UK Government restricts eligibility to access the funds to England based employees, then that will mean there is likely to be a funding disparity between training in England and the devolved nations. The consequence is that there will be a significant incentive for large businesses to relocate training outside the devolved nations. Long term the consequence of this is likely to be less training within Wales, leading to lower productivity, with the consequential impacts on the wider economy.

We do sympathise with the way in this Levy has been imposed on the devolved nations, and the complexity that arises from a UK-wide Levy relating to a fully devolved area of policy. In Scotland, in particular, we have been somewhat reassured by proactive discussions and consultation where the Government has shown it is keen to work with industry to hopefully find a system that will bring some benefit to levy payers there. The intention of the Levy is for companies to be able to 'get out' what they 'put in' and while it is unlikely that businesses will ever achieve full return it is particularly disappointing that Wales is simply viewing the Levy consequential as a revenue stream, and not linking it to those that have contributed to it.

You will no doubt be aware of the transformational change that is facing the retail industry, unprecedented change which is presenting major challenges. We are predicting that the cumulative burden from costs including business rates, noting the increased provisional multiplier for Wales, and the introduction of the National Living Wages will lead to 900,000 fewer retail jobs across the UK over the next ten years. With shop vacancy rates in Wales amongst the highest in the UK, and with the highest rate of shop closures, our industry is seeking stability and opportunities which will enable future investment to take place.

Welsh Retail Consortium
Suite 103, 209 City Road, Cardiff, CF24 3JD

Consortiwm Manwerthu Cymru,
Ystafell 103, 209 City Road, Caerdydd, CF24 3JD

welshretail.org.uk

British Retail consortium, 21 Dartmouth Street, London SW1H 9BP brc.org.uk



We are concerned that a decision not to allow retail Levy-payers in Wales to directly benefit from the monies generated will demonstrate a perceived disregard for the industry in terms of our value to the Welsh economy, and the implications that may arise from this in terms of investment opportunities.

The WRC and our members would urge the Economy, Infrastructure and Skills Committee to look at the issue of the Levy, it's implementation in Wales, the cross border implications and the way in which the Welsh Government is engaging with employers over this issue. We feel that any policy decision which restricts Levy-payers' ability to draw down funding would be bad for the industry and bad for Wales; the EIS Committee has the opportunity to explore these impacts further and we hope that this will be something you would consider as part of your ongoing work programme.

Sincerely

Sara Jones

Welsh Retail Consortium
Suite 103, 209 City Road, Cardiff, CF24 3JD

Consortium Manwerthu Cymru,
Ystafell 103, 209 City Road, Caerdydd, CF24 3JD

welshretail.org.uk

British Retail consortium, 21 Dartmouth Street, London SW1H 9BP brc.org.uk

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Agenda Item 5

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Agenda Annex

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