

Agenda – Economy, Infrastructure and Skills Committee

Meeting Venue:

Committee Room 1 – Senedd

Meeting date: 27 March 2019

Meeting time: 09.30

For further information contact:

Gareth Price

Committee Clerk

0300 200 6565

SeneddEIS@assembly.wales

Private pre-meeting

(09.30–9.45)

Phil Boshier, Research, will be in attendance to give an overview of the Regional Skills Partnership evidence session.

1 Introductions, apologies, substitutions and declarations of interest

2 Papers to Note

(Pages 1 – 8)

Attached Documents:

EIS(5)–10–19(P1) Letter from the Minister for Economy and Transport to Chair

EIS(5)–10–19(P2) Letter from the Chair of the Constitutional and Legislative Affairs Committee to Committee Chairs

EIS(5)–10–19(P3) Welsh Government response to Ofcom Consultation: Award of the 700 MHz and 3.6–3.8 GHz spectrum bands



3 Regional Skills Partnerships: Foundational Economy

(09.45–10.45)

(Pages 9 – 23)

Mary Wimbury, Chief Executive, Care Forum Wales

Richard Clifford, Public Affairs and Policy Executive, UK Hospitality

Attached Documents:

EIS(5)–10–19(P4) Research Briefing

EIS(5)–10–19(P5) Evidence from UK Hospitality

Break

(10.45–11.00)

4 Barriers facing small home building firms: Deputy Minister for Housing and Local Government

(11.00–12.00)

(Pages 24 – 36)

Hannah Blythyn AM, Deputy Minister for Housing and Local Government

Neil Hemington, Head of Planning

Ian Williams, Deputy Director of Homes and Places

Attached Documents:

EIS(5)–10–19(P6) Research Briefing

EIS(5)–10–19(P7) Evidence from the Deputy Minister for Housing and Local Government

Private de-brief

(12.00–12.15)

Ken Skates AC/AM
Gweinidog yr Economi a Thrafnidiaeth
Minister for Economy and Transport



Eich cyf/Your ref
Ein cyf/Our ref

Llywodraeth Cymru
Welsh Government

Russell George AM
Chair Economy, Infrastructure &
Skills Committee

SeneddEIS@assembly.wales

15 March 2019

Dear Russell,

Thank you for your letter of 15th February regarding the January committee sessions on City and Growth Deals for Wales and your comments and further requests for information. I will address those areas that you have identified as for the Welsh Government in turn.

Cardiff City Region City Deal

My officials and I are in regular contact with the Cardiff Capital Region leadership team. Most recently, I met the Chair of the Regional Cabinet on 18th February to reinforce the commitment to work closely to ensure alignment and integration.

Swansea Bay City Deal

We have studied the recommendations of the independent review of the Governance arrangements and the Deputy Minister for Economy and Transport and the Secretary of State for Wales have discussed the review report with the City Deal Leaders. The review report, accompanied by a joint Government response has been published today and can be found at the following link: <https://beta.gov.wales/swansea-bay-city-deal-independent-review>

The Swansea Bay City Deal is structured differently to the Cardiff Deal, being project based. Officials of both governments have in parallel been reviewing the draft business cases for a number of the projects, and have been working with the Regional Office in developing other elements such as the monitoring and evaluation framework.

North Wales Growth Deal

I have been clear from the outset that the Welsh Government is looking to co-invest in the deal on broadly equitable terms with the UK Government. It should of course be borne in mind that the Welsh Government's contribution towards the growth deal reflects only part of our overall investment in North Wales in areas such as transport, skills, innovation, ICT connectivity, rural development, regeneration, tourism and supporting businesses of all sizes. We also want to see the Ambition Board secure other funding sources including private sector investment, as ensuring that the private sector is fully behind the proposals remains a key issue.

Following the announcement that the Wylfa Newydd project would be paused, the Economic Ambition Board agreed to review the current package of proposals to ensure that they remained the right mix of investments to address the economic challenges and opportunities facing the region. We await outcome of this review by the Economic Ambition Board and stand ready to mobilise whatever resources are required from our side in order to ensure we collectively move forward at pace.

Mid Wales Growth Deal

I have recently met with both the Chair and Vice Chair of the Growing Mid Wales Partnership and whilst we are yet to receive a proposal from the region, I am encouraged that we are starting to see some very early outline proposals coming forward that have potential. However, I recognise there is much work yet to be done before we can commit to a Deal and I have encouraged the region to share with us their evolving thinking as it emerges and evolves.

In terms of timescales, the current proposal is ambitious but I have encouraged the region to work closely with my officials in this regard, together with those from UK Government, to ensure that a Deal is based on a quality bid proposal. I have reminded the Leaders that engagement of key stakeholders, including the private sector, is important to inform both the development and delivery of the proposed Deal.

I welcome the discussions to develop a strong Mid Wales voice on employability and skills and I recognise the importance of ensuring that Mid Wales is given a distinct identity within the wider South West and Mid Wales Regional Employment and Skills Plan.

There have been several meetings with Councillor Ellen ap Gwynn and respective CEOs at Ceredigion County Council, most recently Eifion Evans. At two of these meetings the leader and CEO of Powys County Council have also been in attendance. A meeting has been arranged for Tuesday 9th April between the Chief Executive of Ceredigion County Council, Huw Morris (Welsh Government) and Barry Liles (South West and Mid Regional Skills Partnership) to discuss current arrangements and future plans.

I have provided funding for a skills analysis of Mid Wales, led by Aberystwyth University. The study will draw upon existing sources of labour market intelligence and will need to be developed in the knowledge of the economic priorities for the region and potential areas for growth. This study will serve to identify skills needs within Mid Wales and provide a robust evidence base for skills provision in the area. The study will report to Welsh Government in Spring 2019.

I have also commissioned an independent review of Regional Skills Partnerships (RSPs), led by SQW, which is now underway. The review will consider the governance and accountability of the three RSPs, review consistency across the three partnerships and test their alignment with City Deal/Growth Deal structures (including Growing Mid Wales), as well as review RSPs' competence and ability to assess need and influence skills provision in their respective regions. The findings of the review will inform a report to Welsh Government, which will provide clear recommendations for how the accountability and impact of RSPs as the strategic voice of regions in relation to employability and skills, can be further strengthened.

Questions common across all the Deals

Capital funding - will there be a significant legacy created?

City and Growth Deals offer Wales and our regions an opportunity to unlock additional UK Government funding to support interventions that can deliver economic growth. The Welsh Government has been clear that Deals are not simply project delivery and funding vehicles. They are critical tools in providing a framework that allows regions to drive a new way of collaborative working, setting priorities as a single voice which supports regional economic ambitions and objectives and delivering key functions at a strategic level.

It is important to recognise that Deals are led by the ambition of local authorities and based on regional collaboration amongst stakeholders, who identify their priorities for driving sustainable economic growth. The Welsh and UK Governments are co-signatories in the Deals, but City and Growth Deals were established with the key principle that the local partners develop and deliver proposals which will create regional economic growth. The Welsh Government will continue to work closely with Deal partners and will ensure individual local authorities are supported during the review processes, reflecting the specific requirements of each Deal.

Continuation of Government funding for the Cardiff Capital Region City Deal will be subject to satisfactorily passing 'Gateway Reviews' at 5 yearly intervals, ensuring full accountability of the public money being spent by the region. As part of this gateway assessment, an independent review will evaluate the economic benefits and economic impact of the investments made under the scheme, including whether the projects have been delivered on time and to budget.

The Swansea Bay City Deal includes different arrangements to monitoring delivery rather than a formal Gateway Assessment.

Alignment of Deals to regional and national economic strategies

We are working to ensure that any Deal reflects Welsh Government priorities and contributes to our policy agenda, including Wellbeing of Future Generations Act, Prosperity for All and our Economic Action Plan.

It is vital that Deals demonstrate benefit for the whole of the region and that they are transformational, aspirational and ambitious too. They need to demonstrate additionality and must not be about "more of the same".

Any proposals will need to be based on evidence and demonstrate a unified strategic regional approach which is innovative and aligned to the regions opportunities, whilst addressing and barriers.

Possible creation of 'growth silos'

We are mindful of the relationship between the different Deals in Wales, with regions needing to work together in a complementary way. Deals must be distinct and not in competition with one another and also complement activity being taken forward at a national level. That is why Chief Regional Officers are in close contact with the City and Growth Deal teams in the regions to ensure alignment.

Procurement of companies for the Swansea Bay City Deal Review and the Economic Strategy for the Mid Wales region

Following an open procurement process, Actica Consulting were appointed jointly by the Welsh and UK Governments to undertake the rapid review of the Swansea Bay City Deal. In this instance, the tender was sent to companies on our CCS Management Consultancy Framework which allowed us to award a tender to a supplier with pre-agreed contract terms, prices and levels of service, defined to meet the organisation's needs.

Our policies promote access for smaller, local suppliers so whilst not all Welsh businesses can win every contract, we have demonstrated that it can be done. Sell2Wales data indicates that Welsh SMEs have won 58% of contracts advertised on the site during 2018/19. Where businesses from further afield win our contracts, we seek to ensure that we maximise the value of their experience.

Aecom were appointed by Powys County Council who managed the procurement of consultants on behalf of the growing mid Wales Partnership. Procurement was compliant with the Council's procurement regulations and the award was based on a competitive tender process.

I am copying this response to the Secretary of State for Wales.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ken', with a long, sweeping horizontal stroke above the letters.

Ken Skates AC/AM

Gweinidog yr Economi a Thrafnidiaeth
Minister for Economy and Transport

Cynulliad Cenedlaethol Cymru
Y Pwyllgor Materion Cyfansoddiadol a Deddfwriaethol

National Assembly for Wales
Constitutional and Legislative Affairs Committee

Committee Chairs

15 March 2019

Dear Chairs

Inter-Institutional relations agreement between the National Assembly for Wales and the Welsh Government

In February 2018 we issued our report ***UK governance post-Brexit***. Its purpose was to examine existing inter-governmental relationships to determine whether they are fit for purpose and to assess whether they need to change.

The final recommendation of our report was that the Welsh Government enters into an agreement with the Constitutional and Legislative Affairs Committee to support its scrutiny of Welsh Government activity in this area.

The Committee reached an agreement with the Welsh Government and in January this year, laid a **report** before the Assembly, which incorporated the agreement.

Following the debate held on the report and agreement last week, I thought it would be appropriate to write to all Chairs, drawing attention to the agreement, so that committees can assess how they may wish to use it in scrutinising the Welsh Government.

The agreement is available on our website and I will ensure it is made available to committee clerks.

Yours sincerely





Mick Antoniw

Chair

Croesewir gohebiaeth yn Gymraeg neu Saesneg.
We welcome correspondence in Welsh or English.



Welsh Government Response to: Ofcom Consultation - Award of the 700 MHz and 3.6-3.8 GHz spectrum bands

We welcome the ambition of your proposals to provide services with greater capacity and wider coverage, and to pave the way for companies to take advantage of new wireless technologies, including 5G. However, we believe they do not go far enough.

The geographic availability of mobile services, particularly good quality data services, is still not good enough across Wales. We have significantly lower coverage than in the other home nations and while our mobile action plan will go some way to improving coverage the major levers that have the greatest potential to effect change rest with Ofcom and the UK Government. We consider it imperative that these levers are used to eliminate the gap to ensure that residents and businesses in Wales are no longer disadvantaged compared to other areas of the UK.

In terms of the geographic coverage obligation our position remains unchanged from previous discussions and consultations on this matter and we are disappointed that our views are not reflected in the proposals. The gap between the target for Wales and that for England and Northern Ireland is inequitable and unacceptable in our view. We believe that setting a lower target for Wales than that for England and Northern Ireland will simply perpetuate the current inequality of coverage. Additionally, your proposals also do not appear to address your own coverage objectives of ensuring that benefits are spread throughout the UK nations.

We have previously suggested a reduction in the target for England and Northern Ireland and a corresponding increase to the coverage targets for Wales and Scotland and would again ask you to explore this

In addition, we recognise that increasing capacity to meet demand for services delivered via existing mobile networks also provides the potential for this spectrum to be used for innovative 5G services. We agree that it is important to make these bands available in a timely manner to meet consumer demand, particularly for increasing capacity for mobile broadband services, and to enable the industry to take advantage of innovation opportunities. Our concern is that those areas of Wales that will not benefit from the coverage obligations will be fall further behind as 5G becomes prevalent. This has the potential to disadvantage rural areas of Wales and exacerbate the existing digital divide.

We, of course, recognise your concerns that if the coverage targets are too onerous then the spectrum may remain unsold. However, we see the auction of this spectrum as an opportunity to address inequities of coverage and deliver significant consumer benefit.

We welcome your proposal to allow mutually agreed roaming arrangements onto a host network should be allowed to count towards fulfilment of these coverage obligations - provided the service onto which the obligated operator roams meets the related requirements.

The introduction of a discount on the price of spectrum is something we have raised in response to previous consultations on this issue and its inclusion is very much welcome. We

agree that this should provide a strong incentive for bidders to bid for a coverage obligation alongside spectrum. However we believe there is scope to go further. We have previously set out our thinking on this, which is reprised below.

We consider that, if the two lots subject to geographic coverage obligations were provided at no cost to the MNOs then more investment would be available to deliver to a greater proportion of the landmass than is currently anticipated. We would offer that, the auction for these lots could then be undertaken not on the basis of the amount that the MNOs are prepared to pay for the spectrum but on the amount of coverage they are prepared to invest in. This would require a mechanism to monitor progress and ensure the targets are met.

It is difficult to quantify the impact of a 'zero-revenue' approach to these auctions as the amount mobile network operators would be willing to pay is unknown. However, the auction of spectrum in the 2.3 and 3.4 GHz bands realised, on average, approximately £250million per licence. Assuming that, as per the consultation document, £300 million delivers 500 new sites, a further £250million could deliver up to around 400 extra sites. Without knowledge of your modelling data, it is not possible to say what the impact on geographic coverage would be in this scenario, but we anticipate would mean a significant increase.

This approach would, of course, mean a reduction of the financial amount raised through the auction. However, this could be offset over a set period, for example ten years, via a gain-share mechanism where the Government shares in any receipts from the network developed to use the 700MHz spectrum once a specified level of profitability or use of the site is reached (though this perpetuates the tenuous and misleading industry argument that these structures can be deemed loss making or revenue generating in their own right).

We note that you do not intend to impose use it or lose it license conditions and would urge you to look again at this as we consider use of these conditions in specific geographic areas, could give market innovators the ability to provide services where others cannot. The spectrum could revert back to Ofcom, to a public sector body, or be provided to another operator after a given period of time if the primary holder has not plans to use it in specific geographies.

We note the four year timeframe. You will be aware that we have previously argued that a three year timeframe is too slow, so this is disappointing and means some areas having to wait five years for any change at all. Again these are likely to be those residents, businesses and visitors in rural areas. Whilst recognising the time it takes to deploy new network infrastructure, given the ever growing demand for mobile services and the rapid development of new technologies and use cases, including 5G, this will further exacerbate the rural-urban divide on connectivity.

To conclude, the spectrum auction provides a rare opportunity to make a real difference to improving mobile connectivity in Wales. However, we consider your proposals fall short in those aspects we have highlighted and would urge you to explore these further some areas so that the people of rural Wales are not subject to continuing disadvantage.

Agenda Item 3

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Evidence from UK Hospitality

Introduction

UKHospitality is the voice of a sector that generates £3bn in Gross Added Value for the Welsh economy each year. UKHospitality spearheads hospitality's representation on the strategic, structural and regulatory issues it faces, campaigning for policies to help the sector achieve further growth as a key driver of Welsh economy. These businesses represent 11% of overall employment in Wales, employing 174,000 people. Hospitality has faced myriad cost pressures in recent years which have severely impacted the sector and its potential to grow, yet it continues to play a central role on Wales's high streets and in its communities.

Is the data and evidence being used by the Regional Skills Partnerships timely, valid and reliable? Have there been any issues?

Data collection is currently limited as it requires companies to contribute to surveys which can often lead to low levels of responses. This is because for some companies there is "survey fatigue" as the Government and supportive agencies regularly send out questionnaires to back a wide variety of funded projects. This is likely to mean SMEs in the hospitality industry will fare slightly worse in comparison to larger companies where there would be centralised support for such activity.

How well do the partnerships engage with and take into account the views of those who do not sit on the partnership boards, and how well do they account for the views of the skills providers themselves?

UKHospitality believes that our sector is vital to the health of the economy in Wales. However, generally the sector has not been represented as well on partnership boards as it should have been given its economic significance. We would like to see more engagement by partnerships with the sector.

Are the Regional Skills Partnerships able to reflect current and future skills demands within their regions? What about very specialised skills for which there may be low volumes of demand?

UKHospitality believes that regional skills partnerships (RSPs) do have the capacity to reflect and adapt to the demands of their regions. However, it is important that greater buy in to these partnerships is created and that the support base is widened to ensure they are as effective as possible.

Do the Regional Skills partnerships have sufficient knowledge and understanding of:

- The foundational economy and the needs of those employed within it

UKHospitality supports more engagement with businesses to maximise the effectiveness of RSPs. More hospitality specialists must be consulted as currently the sector is disadvantaged in comparison to other industries where there is institutional support for those participating.

Are the Regional Skills Partnerships adequately resourced to fulfil their growing role?

UKHospitality believes that much greater resource should be allocated to RSPs. Skills form one of the most vital elements of all Government activity post Brexit. Therefore, a greater allocation of resources to RSPs is essential if they are to be effective.

Is the level of operational detail set out by Welsh Government for skills provision in higher/further education and work-based learning providers appropriate?

UKHospitality believes that industry should have more of a say within this work and feed back to the Welsh Government with what it has learned from the process. An approach more focused on industry would be more effective in outlining sector need that one led by the Government. This is linked to the answer above suggesting that more hospitality sector experts need to be consulted.

Have the Regional Skills Partnerships and Welsh Government been able to stimulate changes in skills provision 'on the ground' to reflect demand?

UKHospitality believes that the work of the RSPs and the Welsh Government have been a positive influence. However, there remains much work to be done to ensure that skills provision is addressed appropriately. UKHospitality would be happy to work with the Welsh Government in the future to address the current issues identified within this response.

What, in general, is working well and what evidence of success and impact is there?

As mentioned above, generally we have seen a positive influence from the work of the Welsh Government and the RSPs. Having an advisory level below government that can directly influence investment and attitudes is a good thing. However, it needs to adequately reflect the collective value of the participants and not only be reflective of those that can afford the time to participate or benefit industries that are structured in a way as to allow greater involvement from their members. The current system does not cater appropriately for the hospitality industry, which is multi-faceted and often SME-led but nonetheless offers huge economic and employment opportunities compared to many others.

There are signs that RSPs are working well but they are still evolving and are not meeting the specific demands of the hospitality industry. Currently, they do not yet have enough buy in from individual businesses and have a reputation for being very demanding on time.

Are there any aspects of the policy that are not working well, have there been any unintended consequences, and what improvements can be made?

UKHospitality supports the closer interaction and cooperation between the three RSPs to prevent patchy delivery. We want RSPs to enable genuine, pan Wales industries like hospitality to have a solid platform to achieve skills targets rather than an uneven playing field in certain areas.

Agenda Item 4

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Evidence Paper on Barriers facing small home building firms: Economy, Infrastructure and Skills Committee

1. Introduction

Housing, and in particular social housing, remains a key priority for Welsh Government as a whole. There are challenges in delivering the number of homes required in both the market and affordable housing sectors.

Small and Medium Enterprises (SMEs) are crucial to house building and the foundational economy in Wales. They support all parts of the house building market – building homes for sale themselves, creating the supply chain, working as sub-contractors with larger developers and as key partners working with RSLs to deliver much needed affordable housing.

However, we do recognise that there are barriers to SME house builders, particularly in terms of speculative development for profit. We know that the percentage of homes built by SMEs has fallen significantly since the 1980's, and that this fall accelerated following the financial crash in 2007/2008. There are a number of reasons for this, but it has led to barriers which either prevent SMEs entering the house building market or put them off doing so. Through the Inter-Departmental Business Register we know that the number of active SMEs in Wales fell by almost half from 1,036 in 2008 to 588 enterprises in 2017.

The Welsh Government has responded to these challenges, but we acknowledge these are complex problems. We do not have all of the levers to respond to macro-economic issues, but there is action we are taking which is making a difference.

The reason we have significantly increased our investment in the SME house building sector in this term of government is a recognition of the sector's importance. We do want to increase the number of homes being built, as there is a need for homes across Wales and across tenures.

The volume house builders, housing associations and increasingly local authorities all have an important role to play in delivering the homes we need (and all work with SMEs to do so). However, speculative development in particular by small house builders is important and as a government we want to see this increase.

SMEs are more likely to build in areas that the volume house builders do not tend to operate, they offer significant employment opportunities within communities, they tend to work on smaller sites, and use local supply chains.

2. Barriers facing small home building firms

We know there are barriers facing small home building firms. We have sought to highlight the key areas here, and some of the action we are taking to help address these barriers:

➤ Access to financial support

Since the financial crash the appetite of traditional lenders to support SME housing development has diminished significantly according to representatives from the SME

housing sector and the Development Bank of Wales. Access to affordable lending is critical to the ability of small builders to have the capability to undertake speculative development. Sites often require a significant amount of initial investment for remediation, infrastructure, the planning process, and of course the building of the homes themselves. With no financial return possible until homes are sold, initial finance can be difficult for SMEs to secure as lenders' risk appetite has reduced.

We also know appropriate profit levels are required within a scheme to provide extra contingency to cover unforeseen additional costs, and to allow investment in future schemes. Sites without an appropriate profit level are therefore deemed unviable by both funders and builders.

In response to these challenges we have, in partnership with the Development Bank of Wales, invested in scheme which aim to fill the lending gap left for small builders.

Wales Property Development Fund

This provides financing to SMEs for sites which have already passed the planning stages and where the developers need capital for the construction phase. Due to the high demand for the fund, an additional £30 million of funding was announced in September 2017. To date we have helped 62 SMEs access over £82million.

Over 17 years the latest £30 million investment is due to be recycled nine times, resulting in a total investment of £270 million in the SME sector.

Wales Stalled Sites Fund

This innovative £40m scheme was launched in May 2018. It is designed to assist in creating and promoting development opportunities to SME construction companies, and unlocking the sites which provide wider benefits to the local communities in which they are located. To date, the scheme has supported 6 SMEs to access just over £7 million in loans (the scheme is still in the early stages, in terms of investment).

Over 15 years the investment is due to be recycled four times, resulting in a total investment of £160 million in the SME sector.

➤ **Access to Land**

We know that the availability of viable land can be a significant barrier for SMEs. The most appropriate way to provide adequate land for new social and market housing is by ensuring suitable sites are identified in LDPs, which are kept under review and regularly replaced. Where this does not happen, speculative and uncoordinated development can take place which damages community confidence in the planning system, may not be in the best location and leads to unsustainable demands on infrastructure. We also know that many larger sites are included within the LDP, however there are very few smaller sites.

Planning Policy Wales (PPW)

PPW promotes the broadening of housing delivery options by requiring planning authorities to consider the contribution all sectors of the housing market can make to providing the required homes, including SMEs and the custom and self-build sector. In order to facilitate this, PPW states that planning authorities should set a locally determined target for the delivery of housing on small sites and maintain a register of

suitable sites to enable the provision of housing by SMEs, Registered Social Landlords and the custom and self-build sector.

In addition PPW requires planning authorities to work with developers to encourage the sub-division of large sites where this could help to speed up the delivery of homes. This is intended to help SME house-builders get access to sites.

Self-Build Wales

Our recently announced Self-Build Wales scheme takes the first steps in opening up more land for SMEs. We are making a £40 million investment, through loan funding, to enable access to 'oven ready' plots of land. It relies on local authorities and housing associations providing land for sale. The applicant will then appoint an SME to build their home from a pre-determined range of designs. The scheme will involve the construction of individual homes, and is therefore well suited to help micro-businesses or those with the right skills to build houses.

The scheme was developed in collaboration with partners across the sector and is the first of its kind in the UK.

➤ ***Complexity of the planning system***

The review of housing delivery through the planning system has highlighted the perceived complexity of this system for home builders. The Welsh Government would acknowledge that the system is complex. Whilst there are certainly ways in which the system can be simplified, if the planning system is to play its part maintaining a high quality environment across Wales, it has to ensure robust assessment of development proposals.

We recognise the planning system has become more complex as environmental issues have become more widely understood. This creates challenges for builders and Local Planning Authorities who need access to expert advice.

Additional support

We will be looking again at whether regional arrangements for planning services can provide greater resilience and support the employment of specialists such as urban designers, minerals officers and ecologists.

Local Development Orders (LDOs)

LDOs can be prepared by Local Planning Authorities to remove development risks, as environmental surveys would be needed in advance of granting an Order. This is something that is being used as part of the Self Build Wales scheme, and we do see that there are opportunities to also adopt this approach on larger sites.

➤ ***Access to Skills***

Similar to other industries in Wales, the construction sector has an ageing workforce. We also know that younger people are less inclined to choose the construction industry as a potential career.

The Federation of Master Builders have consistently pointed out that there are people with the right skills who could be building homes, but that they are working in housing maintenance and other related areas, rather than using their skills for

speculative development. So there is some untapped skills in Wales that the house building industry could benefit from.

However, through the call for evidence for the Affordable Housing Supply Review the issue of a skills shortage came through consistently across the housing sector, and is faced by all home builders. Anecdotally, these problems are more acute in rural areas where there even fewer people with the range of skills needed to construct homes.

Shared Apprenticeships Project

We have been working with employers to share responsibility for on-site training. The success of this programme is enhancing the stock of skills required to ensure availability of skills linked to major investment or developments. In relation to construction shared apprenticeships, CYFLE are delivering in West Wales and Y Prentis are delivering in the Valleys Taskforce Areas.

Apprenticeship Small Business Employer Incentive Programme

Recognising the need to encourage recruitment into the sector, we offer an incentive of up to £3,500 for SMEs (who are new to apprenticeships) to recruit a young apprentice. Work is being undertaken with the Federation for Small Businesses to understand how we can cluster delivery around certain sectors, so that SMEs can better understand and access the programme. Apprenticeship delivery and funding is prioritised based on the needs of the economy and employers and we have established Regional Skills Partnerships to engage with employers and provide us with intelligence on skills needs and gaps.

3. Conclusion

The Welsh Government acknowledges that, in general, there is a need for more homes to be delivered across tenures. SME house builders are absolutely fundamental to the success of our ambition to deliver 20,000 affordable homes in this Assembly term, and to our wider desire for an acceleration in house building. SME builders can be pivotal in delivering homes in parts of the country large developers consider unviable.

We are taking significant action. In the last two years alone (including Self Build Wales) we have invested £110 million, all of which can be recycled, and all of which will help SMEs to build more and remove some of the barriers they face. However, we do not have all of the levers that can have an impact, and there are market forces beyond our control which inevitably do have an impact.

Equally, we would accept that there is more that we can do. We will consider action in the following areas moving forwards:

- Through Help to Buy – Wales 65% of homes sold are delivered by larger builders, with SMEs making up only 35%. We will consider how we can communicate and incentivise more SMEs to make use of this scheme.
- A larger proportion of Public Sector land could be better used for housing. This is reflected in the First Minister's commitment to consider the creation of an authority who will be responsible for unlocking public sector land, which is currently being explored. Rather than unlock land in large parcels that only big

house builders could hope to develop, we are looking at how this land could best benefit SMEs and housing associations.

- Cardiff Capital Region City Deal have included a focus on housing in their work, and we are very pleased that they have looked to do so in a collaborative way with the Welsh Government and the Development Bank of Wales.
- The Welsh Government can and will do more to align the emerging work on the foundational economy with other priorities, such as our targeted efforts through the Valleys taskforce. The taskforce aims to provide support for the creation of additional jobs in the Valleys and the foundational economy sectors, construction is one area of focus due to the large proportion of people working in this sector. As part of this SME house builders are perfectly placed to reflect the objectives of the foundational economy – creating local jobs, for local people, to deliver much-needed local priorities.

Alongside our wider ambitions for SME house building, our top priority is to build homes for social rent. We recognise that SMEs are very unlikely to build houses for social rent because it is not viable to do so. I have challenged my officials to explore how we can actively support and encourage wider variety of organisations in the housing sector to build social houses, using the resources we have available. We recognise that this is not straightforward or easy, and welcome views from the Committee, fellow politicians, and the sector themselves as to how we can seek to address this.