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Llywodraeth Cymru
Welsh Government

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Deputy Minister for Economy and Transport

Russell George MS
Chair
Economy, Infrastructure and Skills Committee

4 January 2021

Dear Russell,

Thank you for your letter of 1 December following up on updates that we agreed to provide during our appearance before the Committee on 25 November.

We can advise the following:

Commercial Property Delivery Plan

Estimating the costs of delivery is complicated due to the number of variable elements involved, such as construction costs for different types of property, uncertainty over the appetite of the private sector to intervene in delivery and at what level of grant support, and the ongoing availability of funds to replace European Regional Development Funds which could impact on ability to deliver through joint venture with public sector partners. All these factors impact on the type of intervention necessary to deliver the programme (self-delivery, joint venture, property development grant for e.g.) and which have different cost implications.

The current estimated cost of delivery of £200- 250m over a 10 year period is based on broad assumptions of these factors, derived from experience of the types of interventions used on projects delivered or in delivery since approval of the original Property Delivery Plan in 2018.

Land Transaction Tax & Non-domestic rates (NDR) tax-base

During the early part of 2020-21 the residential property market could only operate under specific conditions, reducing the ability for most types of property transactions to occur. These restrictions were lifted on 27 July. Also from that date (until 31 March 2021) the Land Transaction Tax residential threshold applied to the main rates was increased from £180,000 to £250,000 (the tax on higher rates residential transactions is unchanged). As a result of these factors, residential revenues between April to October (latest data) are down 37% on the same period last year.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Non-residential transactions and revenues have also been affected. Revenues between April to October are down 31% on the same period last year. However, non-residential revenues can be volatile between months, with revenues in October (the latest available month) up 26% on October 2019.

Further LTT statistics can be accessed from StatsWales here;

<https://statswales.gov.wales/Catalogue/Taxes-devolved-to-Wales/Land-Transaction-Tax>”

We also draw your attention to a Written Statement from the Minister for Finance of 21 December (<https://gov.wales/written-statement-welsh-devolved-taxes-and-welsh-rates-income-tax-draft-budget-2021-22>) regarding raising each of the higher residential rates tax bands of Land Transaction Tax by 1 percentage point.

The higher rates are generally paid on purchases of homes which are not bought, generally, to be the main residence of the buyer but, for example, to provide a second home, be used as part of a holiday letting business, or for a longer term letting.

Buyers of residential properties liable to pay the higher residential rates will now pay an additional 4% (up from 3%) of the cost of the property over and above the main residential rates.

We are also lifting the starting threshold on the Land Transaction Tax paid on non-residential property purchases by 50%. Businesses will now, in the main, pay no tax on purchases costing up to £225,000. This will provide a small but material amount of additional support to businesses.

The statement outlines other planned measures too.

In terms of the non-domestic rates (NDR) tax-base, the Covid-19 pandemic has had, and is having, a negative impact on businesses and other organisations across Wales. The pandemic will inevitably negatively impact this tax-base.

Data is being collected from local authorities on a monthly basis to assess the impact the pandemic is having on the tax-base, this information is being used to inform the Welsh Government’s NDR forecast.

The Valuation Office Agency (VOA) is the statutory body responsible for carrying out valuations in Wales. It assesses all non-domestic and domestic properties for local tax purposes. It is an executive agency of HMRC and is independent of the Welsh Government.

The next non-domestic rates revaluation will take place on 1 April 2023. The next revaluation in Wales aligns with the UK Government’s 2023 rates revaluation.

We are continuing with our work to explore alternative approaches to the local taxes in Wales over the longer term and we will consider the options for a rates revaluation for Wales in the shorter term alongside this work, giving full consideration to the circumstances as a result of the coronavirus pandemic.

Regional Development - Governance and Lines of Accountability

The Regional Economic Frameworks (REFs) are intended to set out a shared set of economic priorities across the public, private and third sectors, and a shared framework for their delivery within each of the regions. In taking forward the co-development of the REFs we are cognisant of the immediate reset and recovery required in the wake of the Coronavirus pandemic but also the need to establish and set out the longer term aspirations for the regions of Wales. REFs are not intended to replace local plans, nor override national plans such as those being developed at an all Wales level for post EU Structural Funds or national Transport and Tourism strategies for example. REFs, at the regional level, can ensure complementarity and alignment between local, regional and national plans and strategies.

In setting out a set of common agreed priorities for the region, the REF is intended to influence policy and programmes, as well as inform budget allocations and spending plans by all partners. Much work has already been undertaken by regional partners which is of relevance, and this will form a solid foundation on which we can collectively build. Co-development of the REFs with our regional partners has invariably been delayed by current circumstances, as our collective focus and priority turned to dealing with the immediacy of the Coronavirus pandemic. We will keep the Committee updated as work with stakeholders continues

Separately, following launch of the OECD's report on 17 September and taking into account extensive stakeholder engagement on next steps, we agree that we continue working with the OECD in 2021 in the consideration of its recommendations for public investment. There will be a response to the recommendations after this activity.

Tata Steel

Since the First Minister wrote to the Prime Minister on 13 November about TATA steel, there have been constructive discussions between myself and BEIS Ministers. Our senior officials have also met to agree joint arrangements for considering how support for TATA steel can be maximised from government policies and what additional support may be required

The First Minister wrote to the Prime Minister on 21 December, ahead of receiving a reply to his initial letter, underlining the importance of these discussions and to seek assurance that the UK Government recognises the strategic importance of this enterprise to the UK as a whole.

A Community Bank for Wales

Meeting notes are Commercial in Confidence and unfortunately, redacting these elements are not practical.

However, we attach at Annex 1 a note on progress from Cambria Cydfuddiannol Ltd (CCL).

You will note that CCL has offered to update the Committee more fully in the near future.

Apprenticeship Programme

It is vital that the content of apprenticeship frameworks are reviewed on the regular basis, to ensure that they continue to meet employer needs across all our skill sectors. To achieve this we have put in place arrangements where frameworks are reviewed over a three year cycle to ensure that they remain responsive to changing technical and industry standards. Where change is more rapid, for example in the digital sector, there is the capacity to bring reviews forward to ensure that they continue to be fit for purpose. Reviews have been prioritised on the basis of alignment with national priorities, the impact of leaving the EU and those where qualifications are reaching their end dates.

The framework review process itself is founded on employer and sector engagement, where a commissioned framework developer is required to consult with stakeholders (including employers, sector bodies, training providers and awarding bodies) to produce a stakeholder evidence report. The ensuing draft framework is quality assured by an independent technical expert and the final framework is submitted to the Welsh Government acting as the Issuing Authority, where evidence of compliance with regulatory standards and sector consultation is tested.

The Wales Apprenticeship Advisory Board will continue to provide advice and recommendations on apprenticeship frameworks to be developed, including simplifying the architecture for occupational sectors and pathways for apprenticeships in Wales. Sectors we are reviewing in 2020-21 are:

- Food & Drink
- Health & Social Care
- Childcare
- Agriculture and Environment
- Healthcare
- Automotive, Transport and Logistics
- Legal and Financial Services
- Hospitality and Catering

The Shared Apprenticeship model continues to provide opportunities to apprentices in priority sectors and areas, such as in the Valleys. Currently, Shared Apprenticeship schemes support the construction and engineering industries, as well as Hospitality. Each Shared Apprenticeship scheme follows a specific approval process, where a business case endorsed by a Regional Skills Partnership is submitted by the proposer to the Welsh Government. The business case is then assessed against our Shared Apprenticeship protocol, including whether the scheme meets market need, provides added value and sustainability. Shared Apprenticeships have stimulated employer engagement and generated Apprenticeship opportunities. Shared Apprenticeships are likely to aid economic recovery in key vocational sectors. Therefore, officials are reviewing Shared models in the context of the Covid pandemic

Ports and Airports: Brexit and Covid-19

You will appreciate that these are rapidly evolving situations.

The UK Border Operating Model is a reserved matter. Where that model has an impact on the functions of Welsh Ministers, and communities in Wales, we are looking to manage and mitigate its effect.

Border checks on goods are being introduced in a phased way over a six month period. Certain HMRC checks, largely on goods transiting to the EU, will be introduced from 1 January. Other checks on inbound goods will be introduced in stages up until July 2021.

The UK Government has agreed to provide a permanent multi-functional inland site to serve the port of Holyhead, which will include HMRC infrastructure and a Border Control Post to handle checks on animal and plant products. Responsibility for sanitary and phytosanitary or “SPS” checks rests with Welsh Ministers. These checks are scheduled to be introduced in July 2021.

In terms of Holyhead, our contingency plans are aimed at keeping any disruption to the port and local communities of Holyhead and Anglesey to the absolute minimum.

The reasonable worst case scenario published by the UK Government highlighted that 40% to 70% of HGVs arriving at ports after the end of the Transition Period could be turned away as they do not have the right documentation

A temporary contraflow has been put in place on the A55 between junctions 2 to 4 from 28 December as part of the Welsh Government’s contingency plans to keep disruption to the absolute minimum, while continuing to allow access to the port as well as allowing the local community to move freely.

Ferry operators will require freight customers bound for Ireland to link customs information to their booking and if they arrive without having done so they won’t be able to enter the port. All HGVs turned away from the port will be directed back to the temporary contraflow at junction 4 on the A55 where they will join the westbound carriageway to either be redirected to other sites off Junction 2 to be stacked while they sort their paperwork, or if there is no space on these sites they will be stacked there as a last resort.

We have rapidly explored options regarding the planning, preparation and use of suitable sites in Holyhead for the stacking of outbound HGVs and for the HMRC multi-purpose inland site that will serve the port of Holyhead.

The Minister for Economy and Transport met with the Leader of Isle of Anglesey County Council on the 17 November to discuss traffic delays approaching Holyhead Port and ways to mitigate these delays from 1 January.

In terms of Pembroke and Fishguard ports, the Welsh Government’s particular responsibilities relate to SPS checks carried out in a specially constructed area designated as a Border Control Post (BCP). These checks play an important role in safeguarding the bio-security of Wales and the UK. UK Government intends for SPS checks to be introduced from 1 July 2021, an incredibly challenging timescale.

Usually a BCP is sited alongside HMRC facilities in an Inland Border Facility. However, HMRC recently came to the conclusion that their checks could be conducted within the ports themselves. Therefore, we find ourselves in a unique position in South West Wales in the respect that this is currently the only stand-alone BCP in the country and has no UK Government involvement.

The UK Government have placed us in an impossible situation whereby we were informed that we were responsible for delivering this facility with approximately 9 months to the point where it is required to be operational.

Notwithstanding, we have mobilised resources to help deliver and are currently investigating a number of potential sites alongside our stakeholders and moving at pace to deliver as quickly as we can.

Elsewhere, Cardiff Airport has been fully engaged with us and UK Government organisations on preparations.

Flights continue as normal from both UK and European airline operators. There will be no changes to Safety and Security procedures due to unilateral contingency regulations

There will be no significant changes to the Border. EU citizens would continue to be eligible to use ePassport Gates. Visual changes will include the 'blue' channel being removed with only 'Green' nothing to declare and 'red' items to declare channels available

There will be changes to Tax and duty free shopping

Yours sincerely



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Briefing note from ‘Cambria Cydfuddiannol Ltd (CCL)

‘Cambria Cydfuddiannol Ltd (CCL) is a Co-operative Society, registered under the Co-operative and Community Benefit Societies Act 2014. This Act allowed for the first time, Co-operative Societies to operate a licensed deposit taking bank. CCL is the body developing a Community Bank for Wales and is financially supported by the Welsh Government and works with the support of the Community Savings Bank Association (CSBA) and the Royal Society for the Arts and Science (RSA).

Our original estimates for the development from initial business planning to a restricted licence was approximately 2 years, with a full license following 6 months later. This was based on advice from the CSBA. However, as we developed our own plans and in lockstep with the other nascent banks emerging in other parts of the UK (Avon Mutual and South West Mutual, in particular, who were both a year or so ahead of us in their planning), we reset the timescales, to reflect a more likely and deliverable scenario. These new timescales (estimated at four years from 2019) also reflected the latest advice from the Bank of England’s New Bank Start-Up Unit, (who had recently concluded the licencing of over 100 European banks applying for UK banking licences).

Additional time to licence has two major impacts – firstly (and obviously) it increases the time to market, which our Board concluded to be a missed opportunity (commercially and societally) and it also would have added considerably to the costs associated with the project and potentially the capital requirements.

We have therefore sought a mechanism to shorten that process considerably, and we anticipate being able to announce a detailed timetable in the Spring of 2021. This mechanism is commercially confidential, and we can provide no further details at this time, except to say we are on target for this timetable, and it will not change our mutual and co-operative status. Indeed, it will deliver all the elements of the proposal we outlined to the Committee last year, including the number of outlets we previously discussed.

As the Minister referenced in his answers to the Committee, we think the onset of the pandemic has created more need for Community Banking than before. We have turned back to more local supply chains and expect more from our immediate towns and villages – the heritage banks do not have ability to service these needs as they have divested themselves of huge parts of their Welsh branch network, and continue to do so. We also have an advantage in that we can develop our operations such that they can withstand a similar event like Covid-19 in the future. Existing operators, at best, have to adapt and make-do.

We note the comments on grant funding, and can confirm that the Minister was correct that we have drawn down £165K to date from WG. When we gave evidence to the Committee last year we referenced an estimated capitalisation requirement of £20M (a commercial

investment). It is likely that the capitalisation will come in under this figure and we do not envisage a need for further grant funding to support the project.

We would be happy to update the Committee more fully in the near future.'