HOUSE OF COMMONS

Welsh Affairs Committee

Oral evidence: The Welsh economy and Covid-19, HC 324

Thursday 25 June 2020

Ordered by the House of Commons to be published on 25 June 2020.

Watch the meeting

Members present: Stephen Crabb (Chair); Tonia Antoniazzi; Simon Baynes; Virginia Crosbie; Geraint Davies; Ben Lake; Robin Millar; Dr Jamie Wallis; Beth Winter.

Questions 132 - 189

Witnesses

I: Rebecca Evans MS, Minister for Finance and Trefnydd, Welsh Government; Ken Skates MS, Minister for Economy, Transport and North Wales, Welsh Government.

Written evidence from witnesses:

– Welsh Government

Examination of witnesses

Witnesses: Rebecca Evans MS and Ken Skates MS.

Q132 **Chair:** Good morning. Welcome to the Welsh Affairs Committee, and a very warm welcome indeed to Minister Ken Skates, Welsh Government Minister for the Economy, Transport and North Wales, and to Minister Rebecca Evans, Welsh Government Minister for Finance. Thank you for agreeing to be witnesses today, helping us with our inquiry into the impact of Covid-19 on Wales. In terms of housekeeping, may I encourage all Committee members and our guests to please be brief and concise in questions and answers? We have a lot of ground to cover this morning. Forgive us, Ministers, if we interrupt any of your answers. We hope we are not being impolite; we just need to keep the session moving briskly.

On that note, we will go straight into it. First, the Welsh Government have been critical of the UK Government throughout this period of the pandemic, particularly in terms of the process of the two Governments working together. The Prime Minister and Secretary of State, Simon Hart, tell us that behind closed doors the relationship is a very good one, with unprecedented levels of intergovernmental meetings and co-operation. Minister Ken Skates, politics aside, how has the relationship been between the two Governments?

Ken Skates: Thank you, Chair, and it is great to be with you today. I do value these opportunities to be able to share intelligence and observations and ideas and of course concerns with counterparts at Westminster.

With direct regard to the question that you raised regarding relations with counterparts in the UK Government, I have been a Minister in the Welsh Government now for approximately seven years and over that time have tried to develop relationships with Secretaries of State and Ministers within the UK Government, particularly in those Departments that are of most direct concern to me, which include of course the Wales Office, BEIS and the Department for Transport. I think it is fair to say that we have a pretty strong relationship with BEIS. Relationships have developed very well over the years at an official level.

At a ministerial level, I have to say I had a very good working relationship with Greg Clark, likewise with Andrea Leadsom. Before Andrea left the role, she had accepted a query from myself—an ask from myself—to exchange personnel within the civil service. We are still hoping that that can be achieved. I have a particularly good working relationship with the Business and Industry Minister, Nadhim Zahawi. We have weekly quadrilaterals, along with counterparts from Scotland and Northern Ireland. They are very much operated in the spirit of openness, as you can imagine, and we try to work constructively together. I can point to changes that have come about within UK Government policy as a direct result of those discussions with Nadhim, for example, the change to the upper limits for the CBILS programme, which resulted in more businesses in Wales being able to get UK Government support. The extent of engagement with the Secretary of State for BEIS has not been as great as it has been with Nadhim, but I do have a further call with Alok Sharma on Friday.

In terms of engagement with the Wales Office, I have weekly calls with the Secretary of State and I also regularly speak with David T. C. Davies as well. We share intelligence, we share actions and we share our concerns, obviously.

Q133 **Chair:** Forgive me for interrupting, Minister. What you say is very helpful and that points to a relationship that is being worked at almost on a daily basis, with daily interaction between officials and Ministers. Is that a fair characterisation?

Ken Skates: That is fair, but the test of the relationship and the test of the engagement I guess will come when the Prime Minister makes his speech—we believe it will be next week—regarding the reset of the economy and the future of the economy. We will know then to what extent our concerns and our ideas have been listened to.

There have been occasions of course, as you might perhaps imagine, where our asks have not been reflected in the outcomes from UK Government. This happens. It is with regret that that has happened during a pandemic, but by and large we are keen to work as collaboratively as we possibly can.

Q134 **Chair:** Thank you, Minister. When we had our evidence session with the two Wales Office Ministers, they did make the point that requests had been made from UK Government to Welsh Government for their officials or Ministers to be able to participate in Welsh Government planning meetings in the same way that Welsh Ministers and officials participate in COBRA and other UK Government structures. They tell us that they have not had a positive answer from Welsh Government. Why the resistance to involving UK Government officials or Ministers?

Ken Skates: I do not think there is any resistance. I think the key concern is that we have a partnership of mutual interests and a partnership of equals and to ensure that any arrangements for sharing information, ideas and developing interventions operates in both directions. I could point to various areas of work where we have not had the level of activity that we would wish to see, for example, the task forces that have been established for the recovery of certain sectors. We have not had so much involvement in those task forces as we would wish. But we are still working through the response to the pandemic and it is my determination, as I have said, to make sure that we work collaboratively with counterparts in UK Government, recognising that that is what businesses and workers wish to see—that is what the country wishes to see—for us to collaborate to overcome this common challenge.

Q135 **Chair:** One other area where the Welsh Government have been consistently critical of UK Government, particularly in recent weeks, is about the area of UK Government decisions to ease restrictions on businesses, ease restrictions on social interaction to get the economy moving again. Why do you feel so strongly that the Welsh economy should be reopened at a significantly slower pace?

Ken Skates: I am not sure it is being reopened at a significantly slower pace. What we are doing is reopening it with a greater degree of caution. The scenes that we saw from Devon, from Cornwall and up in Cumbria, when restrictions were eased rather dramatically, with quite a bit of briefing of lobby journalists beforehand, I think caused grave concern within Welsh communities. As a consequence of that, there is widespread support for our more cautious approach. The last thing that the Welsh economy needs is a second wave or a series of spikes. We are seeing right now in the United States, in Germany and in other countries just how fragile the emergence from coronavirus is. We need to ensure that the long-term interests of the economy are at the forefront of our concerns, but above all else, this is a public health crisis and the health of the economy is entirely dependent on the health of the nation.

Q136 **Chair:** Do you accept, Minister, that there is an economic and financial cost for the length of time that the lockdown continues? Just in recent days, a number of Welsh companies—Castell Howell Foods, for example—have announced plans to start redundancy consultations with their staff as the furlough scheme unwinds. Do you accept, as Business Minister, that the longer these heavy restrictions remain in place in Wales the deeper the economic damage potentially for the Welsh economy?

Ken Skates: No, not right now, not while furlough is in operation, not while we have the self-employment support scheme. All business organisations are united in saying that furlough cannot operate on the basis of us reaching a cliff edge. It is absolutely vital that these hugely important—and we welcomed them warmly—schemes are maintained. We have to ensure that the engagement we have with UK Government is meaningful and that the concerns that are raised with us by our social partners within the business community, within the trade union movement, are given full consideration by UK Government Ministers.

Right now the key concern of trade unions, their members, of business organisations and the business community is that the furlough scheme will not support us through the winter, in particular certain sectors, for example, tourism and hospitality, which will not be able to achieve the sort of revenue take that was taken in 2019. Also the aerospace sector, which I am afraid faces deep uncertainty for many months, if not years to come.

Q137 **Chair:** Minister, forgive me for interrupting. You mentioned aerospace there. We have taken evidence from the aerospace sector, who presented us with some very grim potential statistics, with potential job losses in Wales. As you well know, being from north Wales, those are high-value jobs, important for the Welsh economy. To what extent can there be any economic recovery for those kind of sectors, manufacturing or construction, high-value jobs, while the 2-metre rule is in place?

Ken Skates: The 2-metre rule is in place to protect the workforce. As I have said, we would not wish to put the workforce and therefore those businesses at risk by removing social distancing measures that are proven to work. However, we still await the evidence that was used by the UK Government ahead of this week's announcement and of course we will base decisions on medical and expert evidence. If that means that we are able to reduce the 2-metre social distancing rule then we would certainly consider it, but we have yet to see the evidence that was used by the UK Government ahead of the announcement this week.

Q138 **Chair:** The Secretary of State, Simon Hart, told us that he had not seen any evidence from Welsh Government to support the different decisions, the different approach that the Welsh Government are taking. Is it the case that you are operating off the same body of data and evidence as UK Government for these decisions and you are just taking different decisions as part of your entirely fair political judgments that you are able to make or do you feel that you have separate data and evidence about things are unique and particular to the Welsh economy that leads you to taking—as you describe yourself—a very cautious approach, in consultation with the trade unions and other social partners?

Ken Skates: We are not aware of the evidence that was used this week in the decision regarding social distancing. We take evidence from a variety of experts and, crucially, from the World Health Organisation. The evidence from the World Health Organisation has shown that social distancing with a 2-metre rule in place is far safer than reducing it to 1 metre. But you are right, it is a balance of risk as well in reducing to 1 metre and the benefits that could be accrued for the economy.

Q139 **Chair:** Minister, do you accept that the 2-metre rule will be a brake on whatever type of economic recovery you hope to see in Wales?

Ken Skates: No. The 2-metre rule is not an inhibition on sectors such as aerospace right now. The problem for the aerospace industry right now is the lack of demand and that lack of demand may remain for some time. In order to get the aerospace industry through what could be a sustained period of uncertainty, we need UK Government action to support the entire sector. Reducing social distancing from 2 metres to 1 metre will not save the aerospace sector.

We look at other Governments, such as France, which are putting billions upon billions into the aviation and aerospace sectors. We need a similar package of support from the UK Government for our aerospace sector, otherwise we stand to lose thousands upon thousands of high-value jobs. That cannot be allowed to happen in the UK.

Q140 **Chair:** Sure. In terms of the answers you have just given in the last few minutes, there are a number of requests there for UK Government: ongoing additional financial support; aerospace, which you talked about;

and the furlough scheme continuing for some months to come. But what I am trying to get from you, Minister—we will move on shortly—is a sense of the personal urgency for seeing the Welsh economy recover and for businesses to return to some kind of normal operations. What you are saying is that for the time being at least, because of the caution around fears of a second spike, you do not want to see the Welsh economy recovering at the same pace as the rest of the country.

Ken Skates: No, I do not think that that is a fair reflection of what I said. We are taking a cautious approach to make sure that the Welsh economy undergoes a sustained and safe recovery. I am afraid what has happened elsewhere would demonstrate that if you emerge from coronavirus with decisions that are premature, you can plunge your economy back into danger; you can plunge your country or your region back into lockdown. We would not wish that to happen to the Welsh economy. It is absolutely essential also that we reflect on the fact that parts of the Welsh economy have emerged ahead of other parts of the UK, for example, non-essential retail restarting here ahead of other parts of the UK.

We are looking with urgency at how we can ensure that important sectors such as hospitality can safely reopen, but we have to have the confidence of knowing that those sectors can reopen with public safety as their top priority. Right now, if you look at any of the polls, it demonstrates that people are still incredibly nervous about leaving their own homes, incredibly nervous about accessing shops. In spite of some of the scenes that we have seen in the past 10 days or so, people are still very nervous and have to have confidence. People will have confidence if businesses adhere to the guidance that is being published, but also if they see those infection numbers continuing to fall. That is a key concern of ours, making sure that we are able to bring down those infection numbers and the R rate as low as we possibly can.

Q141 **Chair:** No plans to relax the 2-metre rule yet; no plans to reopen the hospitality sector yet?

Ken Skates: No. The First Minister was quite clear last Friday in saying that over the next three weeks parts of the tourism sector should take—

Chair: Hospitality, restaurants, cafés, bars.

Ken Skates: On hospitality, he said that a rapid review is being undertaken at the moment. Discussions with hospitality leaders are taking place right now. We are looking at ways that we can safely use the public realm to support reopening of the hospitality sector and we would wish to do so as soon as it safe to do so.

Chair: Minister, thank you very much for your very thorough answers. I am going to move to Ben Lake in a moment, but I believe Tonia has a very quick supplementary.

Q142 **Tonia Antoniazzi:** Thank you very much, Chair. Minister Skates, I will call you Ken and I will refer to Rebecca as Rebecca, as we know each other so well. Can you clarify if the UK Government have provided evidence regarding the decrease from the 2-metre rule down to 1 metre-plus and what correspondence have you had regarding this?

Ken Skates: As of this morning, my understanding is that we have not had the evidence that we were promised, but the First Minister has of course said that we will keep the 2-metre rule under active review. We await that evidence and it could be crucially important, but until we have that evidence, I am afraid it is just guesswork as to what decision or what evidence the UK Government used in their decision this week.

Q143 **Ben Lake:** Diolch, Ministers, for joining us this morning. Can I first ask a little bit about the banking sector and its performance during this crisis? We have received quite a few concerns from businesses that the performance has not been as they would have liked. Are these concerns that you recognise and, if so, what do you think could be done to ensure that banks provide effective support to businesses in Wales?

Ken Skates: Yes, they are concerns that I share. Early on in the pandemic I invited high street banks to join me on fortnightly calls to discuss the concerns that businesses have been raising with us. It must be said that at the initial stages the CBILS scheme was not working; it simply was not working. If you compare the achievements of the Development Bank of Wales against what was achieved up to 8 April, I think it was, through CBILS you will find that whereas the bank was able to provide about 1,300 or so opportunities for businesses to draw down coronavirus loans, CBILS had only seen around 3,000 loans approved across the entire United Kingdom. The Development Bank of Wales loan scheme was critically important in those initial stages.

CBILS of course was then revised and we saw the introduction of the Bounce Back Loan Scheme, which was hugely important and has made a very significant difference to businesses. But there is a view across businesses that at the initial stages, uptake of CBILS was very low and there were concerns about how high street banks were operating that particular scheme.

Moving forward, I am hoping that the high street banks will be able to respond to the needs of businesses during the recovery period by showing the willingness to extend overdraft facilities to recognise that many businesses are now heavily indebted and that they will require additional time and flexibility to be able to operate.

Q144 **Ben Lake:** Just quickly to follow on that point, would there be anything you would want to see implemented to allow the Welsh Government and indeed the Welsh Development Bank to extend any of the support packages that they have already implemented?

Ken Skates: Further support would be incredibly valuable for the Development Bank. We have been able to highlight to UK Government counterparts the ways of working within the development bank. It is called the pod approach, which is a risk assessment on getting money out of the door so rapidly. What businesses need more than anything else right now is short-term finance in order to see them through the coming months while they begin the process of generating revenues. They have taken on debt through CBILS, through the Bounce Back Loan Scheme and so forth, so there is a vitally important role for high street banks to play in offering short-term financial facilities such as extended overdrafts. This is our primary call of the high street banks when we speak with them every fortnight. I think it is important that the UK Government impresses the same message upon high street banks.

There is also work that needs to be done within Wales regarding attitudes to equity. In Wales there is an aversion, for reasons that are still somewhat puzzling, to consider equity products and I think high street banks perhaps have a role to play in supporting a cultural shift on this front in Wales. I think the Development Bank of Wales has a good and strengthening relationship with mainstream lenders and they are able to, on the fortnightly calls, offer sound and constructive advice to high street banks as to how they can go on better supporting businesses.

Q145 **Ben Lake:** Finally, the support packages that have been announced by both Governments are understandably temporary measures. You did touch upon this in answers to the Chair, but I was wondering whether you could elaborate a little bit on any work that is ongoing at the moment on some of the more medium to longer-term arrangements that could support businesses.

Ken Skates: Yes, absolutely. We have the ERF, which is a Wales-only fund of half a billion pounds. We are just about to open the second phase to applications. That will happen on Monday. There will be a third tranche of funding opportunities in late summer, early autumn, and that money will be aimed at growing businesses through the recovery. In parallel with considerations about how that third phase will operate, Jeremy Miles, Counsel General, is co-ordinating across Government the recovery from coronavirus. He has established an expert panel to assist in that regard.

Our approach will be to invest in places, in people, in a green recovery and in a digital recovery as well. We do wish—and I have said it on many occasions—to build back better and that means that we need to use all of our tools that are currently available and develop some new ones, but primarily those that are already available, including the economic contract. I can send a note to the Committee regarding the economic contract. Essentially this applies to any business seeking direct financial support from the Welsh Government. A business has to sign up to the four points of the contract, which requires them to demonstrate how they are adhering to the principles of fair work, how they are improving the mental health and wellbeing and skills level of their workforce, how they are contributing to decarbonisation and how they are contributing either in terms of direct growth or growth within the supply chain that they are part of that they support.

As a result of the Economic Resilience Fund, we have made it a condition of support that all businesses sign up to the economic contract. We now have thousands upon thousands of businesses that are operating on the basis of that contract. I would like to see the contract extended across the UK. Already counterparts in other parts of the UK, in the other devolved Administrations, are showing a very keen interest in the economic contract as a driver of inclusive growth and so too are metro mayors. I think as part of a concerted effort to build back better across the UK, the economic contract could play a vitally important role.

Ben Lake: Fantastic. Thank you, Minister. Yes, I am sure colleagues would welcome a note on the contract itself.

Dr Wallis: Thank you, Ministers.

Ken Skates: Good morning, Jamie.

Q146 **Dr Wallis:** Good morning. It is great to see you here; thank you for coming. To what extent has a four-nations approach existed in the response to Covid-19?

Ken Skates: We touched on this quite a bit already in the questioning from the Chair. We have always been determined to maintain a four-nations approach to this pandemic. We went into lockdown together on that basis, but of course England, as the First Minister has already said, should not be the template for other DAs to follow. It is only right and proper that devolved Administrations ensure that decisions that are taken within their respective areas are in the interests of their people. While there has been at times some divergence, I think generally we have been able to maintain a four-nation approach. The more important concern is how we maintain a four-nation approach as we emerge from coronavirus, as we go about seeking a strong and robust recovery.

In my discussions with Nadhim Zahawi, the same sort of language is being used by both of us in terms of wanting a green, strong and fair recovery. I would hope that next week when the Prime Minister makes his speech on the economy he focuses on five key areas: first, that we do have a true four-nations recovery in which a revised UK industrial strategy is shaped by all parts of the United Kingdom and gives opportunities to all parts of the United Kingdom.

I would hope as well that the Prime Minister is able to give a guarantee that future investment will be on the basis of need in order to level up, recognising that in recent years infrastructure spend on rail, for example, has been just 1% on the Wales route, even though we have about 10% to 11% of the track, and Wales only gets 2% of R&D spending. That has to change if we are to level up the UK economy.

Also in terms of the four-nation approach to the recovery, I would hope that the Prime Minister would announce packages of support that equal and match other Government packages for key sectors such as tourism, aerospace and aviation. Also that the Prime Minister would focus very strongly on people, learning from schemes such as the Job Retention Scheme, Jobs Growth Wales and the Future Jobs Fund, and place at the forefront of our recovery the development of higher skills. This is something that the CBI has called for in a letter to the First Minister just in the last 24 hours and I would agree entirely with that.

Fifthly, and finally, I would hope that the Prime Minister would place a focus on the importance of place, making sure that economic development recognises that each part of the UK and all of our communities are different to different degrees and that we have to embrace principles such as smarter working in order to level up power across the UK between rural areas and urban areas, between the greater cities and the smaller towns. Next week is probably an opportunity for the Prime Minister to demonstrate that he has been listening, that his Government have been listening to the devolved Administrations and that we will come out of coronavirus as four nations working together.

Rebecca Evans: Chair, would it be helpful if I reflected a little bit on the four-nations approach that we have been trying to develop from a finance perspective?

Chair: That would be helpful, Minister; thank you.

Rebecca Evans: Great; thank you. Since the start of the crisis, we have all been very much aware that we are facing similar challenges. We have sought to improve, I think, upon the relationships that we had previously. At an official level, I know there has been contact daily and sometimes on an hourly basis between Welsh Government officials and officials in HMT, which I think is positive. Under normal circumstances, we would have Finance Ministers' quadrilaterals between the devolved nations and the Chief Secretary to the Treasury perhaps two or three times a year. But Friday will be our sixth meeting since the start of March, so I think that the pace of those meetings and the level of sharing of views in those meetings has improved since the start of the crisis.

It is not to say that things are perfect. There is a long way to go in terms of intergovernmental relations so far as finance is concerned. Even before the start of the crisis we were looking to improve the statement of funding policy and to put a more formal structure around the relations within the Finance Ministers' quadrilateral. I am keen that as soon as it is possible to do so that we continue that work again. One of the things I am keen to continue to pursue is the need for an independent arbitrator or some kind of independent appeals process for decisions that are taken regarding finance under the umbrella of the statement of funding policy. An example would be decisions that the UK Government took on teachers' pensions. When one Administration take decisions that have a material impact on the finances of one of the other nations, the nation that took the decision should make funding available as a result of it to the other nation, but that did not happen with teachers' pensions, so we were left with a large gap of many tens of millions that we had to plug.

Again, there was the additional £1 billion for Northern Ireland. While we do not begrudge a penny of it to Northern Ireland, we were very clear that under the statement of funding policy and the relationships that we should have that we should have received a fair consequential as a result of that as well. While relationships have improved, there is some way to go in terms of improving the mechanisms that sit around those relationships.

Q147 **Dr Wallis:** That is great, thank you very much, Minister. I understand that this has already been touched on, but I would just like to ascertain what both of you think is the most important platform for joint working, whether that is an official or unofficial one. Is it perhaps the informal mechanisms that operate that you perhaps value more or is it COBRA or the implementation groups? In your view, what is the main and most important one?

Rebecca Evans: For me, it would be those Finance Minister quadrilateral meetings because those are opportunities to discuss an agenda that we collectively agree in advance. Until now we have been looking very much at our immediate response to the crisis, but future meetings are starting now to have a much stronger focus on the recovery. There are some big questions that we need answers to, particularly, for example, around the Comprehensive Spending Review, so this will be something I am hoping to address with the Chief Secretary at our meeting on Friday. We do not yet know when the comprehensive spending review might take place or for what period it might cover. We need that kind of clarity so that we can start to properly plan our recovery process in Wales. That is one of the big items that we hope to discuss and get some clarity on.

Ken Skates: I would agree. Regular rhythm quadrilateral meetings are incredibly valuable. My counterparts in the DAs, and Nadhim, Simon Hart and David T. C. Davis, I think, all agree that once we are out of this pandemic, regular rhythmic quadrilaterals should continue. We should use some of the good working relations that we have been able to develop during coronavirus to plan for a better and more sustainable recovery.

Q148 **Dr Jamie Wallis:** Finally, I know you have responded, Minister, in relation to specific policies and whether any evidence was shared, but have the two Governments ever shared any of the evidence around areas where there has been divergence in policy?

Rebecca Evans: We are very open with the information and advice that we receive in Welsh Government. We have a technical advice cell, which sits as a sister body to SAGE and that provides us with scientific advice and evidence from that particularly Welsh perspective. All that information is publicly available in terms of the summaries of that advice and regularly published on the Welsh Government website.

Again, from a finance perspective, we are sharing more information now than we ever have before in terms of the kind of pressures that we are seeing coming down the line to us in terms of responding to the immediate crisis, let alone the recovery. We do that to try to improve again the level of information that is shared in a reciprocal way from the UK Government.

We have recently prepared a paper to share with the UK Government about what we see as the big challenges now coming towards the end of the financial year, with a view then to trying to come to an arrangement with the UK Government and get a better understanding of what they think their pressures are. At the moment it is really difficult when you do not know what financial consequential funding will be coming to Wales and to plan a budget when you can only see part of the picture is very difficult.

Ken Skates: I would add that we are sharing an incredible amount of intelligence and information with counterparts in the UK Government, particularly with BEIS, concerning businesses and performance of the economy.

Just reflecting on Jamie's previous question regarding structures for engaging across the four nations, permanent structures are quite clearly the most desirable way to engage but, if I may, Chair, I will forward on the First Minister's future union ideas. It contains 20 points that I think may assist the Committee in reaching a view on how we should go about ensuring that in the future we have a strong four-nation approach.

Dr Wallis: Thank you very much, Ministers, and thank you, Chair.

Q149 **Chair:** Thank you, Jamie. Beth Winter wants to ask a brief supplementary, but she just messaged me to say she has been booted out of the meeting, so she is trying to get back in. Perhaps while we wait for Beth, Minister Evans, can I follow on from your answer there? Have there been any points at all since the start of the pandemic where a specific request has been made by the Welsh Government to the UK Government either for some specific additional funding or for any changes to rules around the use of reserves or borrowing powers?

Rebecca Evans: Yes. I have been pressing the UK Government on this particular point since early on in the pandemic, because these are issues that we have had a concern with before the pandemic in terms of the physical flexibilities available to us in Wales. The situation makes the whole thing so much more acute.

We have been asking the UK Government to allow us to switch some capital to revenue. That would be helpful in terms of allowing us to respond to the immediate crisis.

Q150 **Chair:** Have they said yes to that?

Rebecca Evans: That is still under negotiation at the moment, but I am undertaking a piece of work with colleagues across Government in anticipation of a potential positive response, identifying where we can find that capital to switch within Government so that as soon as we get a decision, we can—if it is positive—undertake that switch very rapidly.

We are also seeking to increase our borrowing limit, so both in the aggregate and annually. That is important in order to allow us to respond to the crisis in an agile way as well and also to draw down more from our Wales reserve. Our Wales reserve is only £350 million anyway. It is there to help us manage our finances over financial years, particularly now that we have some taxes devolved to Wales, but we would like to be able to at least access what is in there and draw down the full amount should we need to.

Equally, if funding changes late on in the year we are keen to have a larger limit on that Wales reserve in order to be able to carry more funding over to the next financial year as well, so those kinds of flexibilities would be very useful.

Chair: Thank you, that is very helpful. Beth has rejoined us. Beth Winter, you had a quick supplementary to ask.

Q151 **Beth Winter:** You said, Minister Evans, about the discussions and the current structures that exist in terms of taking a partnership approach. It has been quite evident that in terms of a post-Covid strategy, central Government have not set out their plans clearly. In terms of any discussions you have had to establish a post-Covid economic strategy in collaboration with central Government, have those discussions taken place and what has been the response? I would commend the Welsh Government in terms of their approach to date, but how have those discussions gone in terms of your discussions with central Government, please?

Rebecca Evans: In truth, we are only just starting to have those discussions. Up until now the financial quadrilateral meetings that we have had have been very much focused on responding to the immediate crisis and ensuring that we have resources available to do that but now, as I say, we are starting to take that longer look ahead. The Comprehensive Spending Review is going to be absolutely crucial in that, as I believe are the improved flexibilities for the Welsh Government just to make the best of the resources they have, because of course the rules that we operate within now were never envisaged to be rules for this kind of situation. They are very much more to do with the management of regular times.

Q152 **Geraint Davies:** I have a couple of quick questions to the Finance Minister—to Rebecca—and then one for Ken. Moving on from what you have just said, can you perhaps give us an overview of the overall implications of the Covid pandemic on the Welsh budget and then remind us again of the flexibilities you are after in terms of the Welsh reserve and in terms of saving and borrowing, given the practice of flexibility over a number of years we have previously had from European funding as well, and say why that is important for future uncertainties?

Rebecca Evans: Thank you, Geraint. The impact has been huge on the Welsh Government in terms of our finances. Just yesterday we voted on our first supplementary budget. That was a supplementary budget of £2.4 billion. You will all be very familiar with the fact that supplementary budgets in Wales are normally just technical events, more or less, not big show stoppers in any way, but this was the demonstration of some major interventions that we have made, both in terms of supporting the economy and transport—I am sure that Ken can talk about the specific schemes that we were introducing—but then also in terms of supporting health and public services, the voluntary sector and communities to ensure that they were well-placed to respond in a rapid and agile way to the crisis.

The interventions that we were making in health and public services amounted to £763 million. That was a major intervention. The funding that I referred to, that £2.4 billion, is a combination of funding, so £1.8 billion of it was consequentials from the UK Government and the remainder was as a result of a rapid reprioritisation exercise that I conducted across Government, which freed up £500 million from both the Welsh Government's existing budget—or budget as it was—and also European repurposed funding as well. We worked very quickly to be able to respond in a rapid way to the coronavirus pandemic.

Those flexibilities that you have referred to are greater borrowing powers and more flexible borrowing powers, the ability to draw down more from the Wales reserve, the ability to carry more over in the Wales reserve should we need to and, importantly right now, in terms of responding to the crisis is being able to have that capital revenue switch.

Q153 **Geraint Davies:** I know it is difficult and it is a moving picture, but if you compare the amount of money you have invested in response to Covid with the amount you have had from Barnett consequentials and subsequent announcements by the Chancellor, what is the difference? The early evidence we had from the Welsh Governance Centre was that it was in the order of half a billion, but I think it might be less now. Do you have a figure on that? Maybe you can put that in writing to the Committee. We are interested in knowing what is the gap between what you have invested and what you have been given.

Rebecca Evans: You are right. It is half a billion in terms of the gap between consequentials specifically related to Covid-19 and what we have allocated. That half a billion is the funding that was repurposed from within our own resources and that European funding that is also repurposed as well.

That does not even tell the whole story about our response to the pandemic because every Minister will be making decisions within their own budgets, which are in relation to the response to the crisis as well. We often talk about the difference between the budget and budgeting, so the budget is those big envelopes of money and then budgeting is the decisions that you take to allocate that funding from within those envelopes. Therefore we are tackling Covid and providing resources both through the budget, but then also through our budgeting decisions as well.

Q154 **Geraint Davies:** The difference between the amount we spent and the amount we received is related to the needs of Wales in terms of its demography, sickness, poorness, age and sparsity. A number of our witnesses from the Welsh Governance Centre, Professor Gerry Holtham, and indeed some from the IFS have suggested there is a case to be made for a needs-based Covid factor in the Barnett formula during this pandemic at least. Is that something that you will be suggesting to Government or is that something you would like?

Rebecca Evans: This is something that I raised in my very first meeting with Steve Barclay and this was just at the start of the crisis. I did make the point that although the Barnett consequential does have an element of needs-based funding—so we have an extra 5% to reflect the additional needs that we have in Wales—Wales is particularly vulnerable to some parts of the impact of coronavirus.

For example, we have a larger proportion of older people within our population. We have greater reliance on the tourism sector here in Wales. We also have the larger part of our economy made up of manufacturing and of small and medium-sized businesses as well, so our economy is different and it makes us more vulnerable. Our population is more vulnerable to Covid-19 as well, so those things could well be reflected with some further needs-based support but, as you say, the response thus far is purely based on the Barnett consequential.

Q155 **Geraint Davies:** Have you made a representation to the head of comprehensive spending review and a possible summer Budget about borrowing flexibility, needs-based factors and getting what we need to equivalently respond at least to England and Wales to the Chancellor?

Rebecca Evans: I have made all of these points to the Chief Secretary in our meeting. I was talking, as I say, in our first meeting about the importance of a needs-based response, where appropriate, to the Covid crisis. Also I have been talking for quite some time about the need for additional flexibilities for the Welsh Government. I have done so in person and in correspondence as well.

Q156 **Geraint Davies:** Can I ask Ken Skates something in terms of strategic needs, looking to the future of particular sectors that are important in Wales—I am thinking of aerospace and hospitality, but also farming as we go into Brexit, I suppose, retail and the like? What do you think the Welsh Government should be doing and what in particular do you think the UK Government should be doing to support these sectors important to Wales? I know, for example, that Germany has a two-year furlough scheme and that is why Airbus is saying it is going to fire workers in the UK before Germany. What would you like to see happening? You have touched on this already, but would you like to skim through some of the key points the UK and Welsh Government should be doing?

Ken Skates: Sure. You are absolutely right, Geraint, there is an essential need for a package of support for vulnerable sectors that matches what is happening abroad. You look at some of the figures and they are staggering, with France offering—what is it?—15 billion for aerospace and aviation. Then Germany has said that it will support the hydrogen sector with around 7 billion of investment. They are looking to the long term and they are looking at sustaining businesses through a lengthier period of hibernation than I think some in the UK believe may be required.

We have to recognise that the order book for companies like Airbus, while healthy, we will see a drop in demand and that will affect the order book. That will in turn affect the employment levels in the short term, so a longer period of furlough will be required for some sectors, including aerospace.

Insofar as what the Welsh Government is doing and has done, it is worth taking a step back and looking at where we were just ahead of Covid-19. Wales had a record low level of unemployment. We had more businesses than ever before, a record number of businesses—more than 260,000 of them. Productivity was rising faster in Wales than the UK average. Wales was most certainly on the up. Perhaps one of the most significant statistics from the last 20 years concerns people. We have seen over the last 20 years the proportion of people in Wales without qualifications more than halve. It is an incredible story. It shows that we were on the right flight path for making sure that the Welsh economy flew above UK and European averages in the years to come.

Then coronavirus hit. How did we respond? Immediately, with the most generous and comprehensive package of support in the UK, worth £1.7 billion. As a result of specifically the ERF we were able to put into hibernation for a little bit longer those companies that would otherwise go to the wall. As we look at the recovery phase and bringing businesses out of hibernation, our focus on investment will be on four key areas: one, a green recovery. That means focusing more on renewable energy, for example. We will be focusing on people, recognising the value of schemes such as Jobs Growth Wales. We will be investing more in places, not just in shiny new facilities, but in the foundational economy and then, finally, we will be investing heavily in digital technologies in order to make sure that we have a just and green economy.

In terms of people, one of my big asks of the DWP would be to ensure that we have advance notice of interventions from the UK Government because we are ready to hit go on our support systems. I have already announced that £40 million of the Economic Resilience Fund will be made available to support people through employability schemes and skills training. We want to make sure that just as the ERF dovetailed with UK Government support schemes, our interventions on jobs and skills will align perfectly with what the UK Government are going to do. We have said that, as part of our Covid commitment, every person over the age of

16 will be given an opportunity to gain the advice and the support necessary to get training and apprenticeships—a Jobs Growth Wales position that will put them on a pathway back into employment. That will be a huge undertaking—a massive undertaking—but it will be a vital one, and we want to work together with the UK Government as closely as possible to make sure that our interventions are optimised.

Just looking back on what happened after 2008, we introduced Jobs Growth Wales, and that assisted thousands upon thousands of young people in avoiding long-term unemployment. I recall back when I was the Deputy Minister for Skills and Technology, during a period between 2010 and 2014, I think it was, that in some parts of England long-term youth unemployment rose by more than 3,000%. That was not the case in Wales. It was a fraction of that figure and, in fact, in many parts of Wales long-term youth unemployment fell as a result of Jobs Growth Wales and other interventions by the Welsh Government. Therefore we have a proven track record of assisting people in terms of place-based economic development, and we wish to see the UK Government work with us as we recover from coronavirus to make sure that we are investing in a greener and fairer economy.

Q157 **Geraint Davies:** In the budget two ideas are investment in green jobs and activities through a furlough extension?

Ken Skates: Yes. I think a focus particularly on people and place, making sure that we level up the UK economy by focusing on communities, that we do not send all of our money to the golden triangle, that all roads do not end up leading to Warwick in terms of automotive and that all parts of the UK have an opportunity to benefit from whatever is announced, and then the focus on people must concern skills, employability and also, it has to be said, Geraint, mental health and wellbeing.

Wellbeing should be our primary objective for economic growth, so enhancing the way that people feel about their lives and about the community that they live in, and green growth, are therefore vital in making sure that the environment that we inhabit is sustainable, that we are investing in sustainable employment practices, and that we also invest in new ways of working. We have seen some really positive ways of working undertaken during coronavirus. We have seen a huge switch to remote working, mainly working at home, but as we recover from coronavirus there is a massive opportunity for towns and cities to be redesigned in order to support remote working. For example, redundant high street shops could be repurposed as shared spaces for the public and private sectors. I would love to see the barriers between the public and private sectors torn down so that we share innovation and creativity, and that can be achieved as part of building back better.

Q158 **Simon Baynes:** My first question is to Minister Skates and it is to explore the issue of those firms and employees in Wales who are not currently eligible for support—there are those that slip between two stools—and to look at what the Welsh Government are doing to support those businesses and individuals and, in particular, at the use of discretionary funding. I believe that a scheme is up and running in England, but we are still waiting for more information on this in Wales, but please correct me if I have that wrong.

Ken Skates: Thanks, Simon, and thanks for your questions. It is good to be with you this morning. First of all, with regards to the discretionary fund, the reason that is up and running in England is there is no equivalent to the Economic Resilience Fund operating in England. In terms of some of the gaps that we have seen, that is specifically why we created the Economic Resilience Fund and as a result we have been able to offer grants to more than 6,000 businesses that would otherwise have fallen through the gaps.

In the second phase of the Economic Resilience Fund we will be operating it generally the same as in the first phase, but there will be some significant changes to support the microbusinesses. First, we will see the requirement to be VAT registered removed, so limited companies will not have to be VAT registered. Second, we will see a reduction in the turnover threshold from the current level of 85,000 down to 50,000, capturing more businesses.

I need to make an important point as well about some of the UK Government schemes that are vitally important, but that are still not being fully exploited by Welsh businesses. For example, if we take the self-employment support scheme, this has been a lifeline for many self-employed people, but 18% of self-employed people in Wales who are eligible for support from that scheme have still not accessed it, so it is vitally important that the businesses and self-employed look to the UK Government schemes for support and not just to the ERF because that support is there. It has been established. It is generous and it could see them through to the recovery period.

Q159 **Simon Baynes:** This question is mainly to Minister Evans, looking at the eligibility criteria for support schemes and taking, for example, support for local authorities. My understanding is that local authorities across Wales have lost anything up to £100 million in the current quarter due to the coronavirus crisis. It would be helpful to know how you are going to recompense them and what sort of percentage of that loss you expect to recompense them with. The local authorities are in many ways the unsung heroes and heroines of this crisis and they have done a lot of the heavy lifting, almost more so in many ways at a local level than either of the national Governments. I am very concerned that they will not be compensated sufficiently. Of course that has a huge knock-on effect on the day-to-day lives of people across Wales. This question is particularly posited with regard to north Wales, which generally speaking is treated less favourably by the Welsh Government in terms of local authority funding than south Wales but the need is very great in north Wales as well.

Rebecca Evans: Thank you for that question. You are absolutely right to recognise that local authorities have been the unsung heroes of the response to the pandemic. They have done incredible work. I think we have an exceptionally good working relationship with local authorities here in Wales in terms of the honest and frank discussions that we are able to have with them.

We worked quickly to set up the local authority hardship fund and that currently stands at £110 million. That was voted through in our supplementary budget yesterday. Of that, £40 million is there to get food to families who are eligible for free school meals—and you will remember that Wales was the first country to put that in place throughout the summer holidays—and £40 million to support the extra costs of adult social care, because we know that there are particular challenges in the social care sector relating to PPE, staffing and so on. Therefore that is there for local authorities as well, alongside £10 million for local authorities to take that immediate and direct action to get people off the streets—that was incredibly successful as well—and £78 million to reflect that loss of income that they have experienced as a direct result of the pandemic, which you were talking about.

Some of that will relate to some of the services that local authorities undertake. For example, lots of them run theatres. When that is the case we have asked local authorities to explore whether they can furlough staff to take advantage of that as a potential avenue of support, but then also ask them to factor into their consideration about lost income the potential for deferred income later on in the year. All these discussions are ongoing, but thus far we have provided £110 million through our local authority hardship fund.

Q160 **Simon Baynes:** Thank you very much. A final quick question to Minister Skates: how confident are you in the supply chains in Wales and the rest of the UK—whether they are robust enough to navigate the pandemic and its aftermath?

Ken Skates: This is a huge concern, as you can imagine, and we are assessing the impact on supply chains on a daily basis. There will be major impacts, but the biggest impact could come if we have the perfect storm in the autumn, challenges due to Brexit and the possibility of a second wave. I think that is the biggest single threat to the economy and that includes supply chains right now.

Q161 **Chair:** Beth Winter would like to ask a very brief supplementary but before I bring her in, Minister Skates, can I just ask something very briefly? In your answer, you touched on the issue of the second round of the Economic Resilience Fund and non-VAT registered businesses. Did I hear you correctly saying that in the second round, companies that fall beneath the VAT threshold will be able to apply and benefit from the fund?

Ken Skates: That is right. There will be three points to the criteria for the second round and you only need to meet two, so first that you are VAT registered, but if you are not VAT registered and you can meet the other two points, you will qualify. Chair, I am happy to send a detailed note through to Committee members.

Chair: That would be really helpful. That modification to the scheme would be extremely useful for many firms.

Ken Skates: Yes. Thank you.

Q162 **Beth Winter:** I want to pick up on the point that Minister Evans commented upon in terms of the impact on local authorities, because I know the Welsh Local Government Association has estimated loss of income to local authorities in the region of £80 million and English local authorities £10 billion, which will have an impact on the Barnett consequential. I appreciate everything that the Welsh Government are doing to try to mitigate the impact, but could you elaborate on what you would expect central Government to be doing? Because obviously we are dependent on resources from central Government. Just to quote Mark Drakeford, he has made clear that the scale of the financial resources required are beyond the devolved Governments' budgets, so what can we expect central Government to be doing to ensure that we have the funding that we require to enable local authorities to sustain the services that they need to deliver?

Rebecca Evans: We are in a more fortunate position in Wales because we have not seen the decimation of funding for local authorities that we have seen, in fairness, across the border. Local authorities have remained a priority area for Welsh Government spend throughout the period of austerity as far as we have been able to protect that funding. In that sense, we are in a stronger position than potentially we could have been otherwise.

It is also worth reflecting that the Local Government Association in England I believe has identified £6 billion of funding that is needed by local authorities in England in order to just continue to do the work that they are doing in response to the crisis and all of the other services that they would normally be expected to deliver. How the Treasury responds to that remains to be seen, but were there to be additional consequential funding coming to Wales, I think there would be opportunities for us to provide a greater level of support to public services in the round.

Q163 **Virginia Crosbie:** Good morning, Ministers. Ken, I was particularly impressed with your use of the word "collaboration" and I look forward to welcoming you to Ynys Môn shortly. You mentioned a lot of your own plans and your ideas for the different sectors, but specifically what discussions have you had with the UK Government in terms of those sectors like the tourism, like the agri, like the aerospace, the specific sectors that have been affected?

Ken Skates: Yes, absolutely. During those very regular quadrilaterals with BEIS, I have raised, I think on every occasion, the concerns of the tourism sector and the need for a UK-wide scheme to support the sector. Of course it is with DCMS and I am hopeful that DCMS will shortly be making an announcement regarding support for the tourism sector and also hopefully the culture sector as well.

We are now engaged with BEIS on recovery planning at an official level. I am still not convinced that we are as at the centre of those plans as we would wish to be, but there is time to ensure that we are fully embedded within those groups that are working on recovery plans for certain sectors and the economy as a whole. I am confident, as a result of having been able to flag up some major potential opportunities in Wales, that the UK Government are now armed with all of the intelligence required to consider support for them. If I may, I will highlight a few of them.

One is the advanced technology research centre in north Wales, which could be hugely important in terms of boosting productivity. Another concerns the proposed global centre for rail excellence in south Wales, which would be in all probability your best test facility for rail. It could incorporate other key facilities and research opportunities. There are other opportunities regarding tidal power and nuclear as well, whether it be in large or in small modular reactors. There are huge opportunities that we have been able to highlight to the UK Government that we are trying to work as closely as we possibly can with them on.

Q164 **Virginia Crosbie:** It is good to hear about the tidal and nuclear. In terms of the hospitality and tourism sector, that has specifically been very hit and there is talk about three dark winters. What are your plans for a specific bespoke support for this sector, whether it is a resilient fund or just something specific?

Ken Skates: Absolutely. Already we have been able to provide £10 million of support through the Economic Resilience Fund for tourism businesses and, as I have said, there will be a third phase in the autumn or late summer. We are examining what that phase of support should look like, whether there should be an element of sectoral-specific support. I must also stress that we are working very closely with the Development Bank in terms of support that may be available for the tourism sector as well in order to avoid that scenario that you have highlighted.

Some other areas of work that we flagged up to the UK Government in terms of opportunities but also threat: steel is an obvious one. The steel sector requires significant support. We have worked with BEIS very closely regarding a number of major steel operators. Of course you will see in the news today speculation regarding Tata and considerations to be made by the UK Government.

What has become quite clear though during the course of our discussions with BEIS is that Treasury is running the show. Decisions are being made by Treasury, sometimes leading to a rejection of the asks from UK Government Departments, so I would urge the Treasury to be more sympathetic to other UK Government Departments and Secretaries of State and Ministers when they bring forward proposals and asks, whether it is for individual companies or whether it is for specific sectors.

One sector that does require urgent assistance and thus far has not had it concerns aviation and aerospace. The threat to many regional airports around the UK is very real and support is required quite urgently for those regional airports. There is a vested interest in this in that the Welsh Government owns Cardiff Airport, but many other airports are carrying an incredible degree of debt. That is not the case in Cardiff, but many airports have huge debts that they may not be able to carry forward and so support for the aviation sector is required.

Q165 **Virginia Crosbie:** When you started at the beginning you mentioned evidence. I am a scientist and I quite like evidence too. In terms of the 5-mile guidance, what evidence have you published related to that? How have you come up with that decision?

Ken Skates: The evidence for the 5-mile guidance—and it is guidance; it is not written into law—relates to the fact that the more mobile you are the more likely you are to either contract coronavirus or to spread coronavirus. We were very sensitive to what happened in those honey spot locations. I have already particularly mentioned Cumbria, Devon and Cornwall when the first round of restrictions were eased and when local authorities there, and I believe police forces as well, were calling for a five-mile guidance to be introduced in those areas. It goes back to the evidence that demonstrates that the more you move and the further afield you move the more likely you are to either get coronavirus or to spread coronavirus.

Q166 **Virginia Crosbie:** Could you kindly send a note to the Committee relating to that evidence, please?

Ken Skates: Absolutely, yes. Sure.

Q167 **Virginia Crosbie:** Thank you. My last question relates to that. How do you think the differences in the restrictions between Wales and England have affected some of the sectors, specifically tourism and hospitality?

Ken Skates: It is yet to be determined, but what we do need to do is make sure that we do not lose 2021 because of premature easing of lockdown in 2020. We need to make sure that people have confidence to come to Wales or to move within Wales. If spikes are seen, if a second wave occurs, public confidence will be decimated so it is absolutely vital that in order to maximise the opportunities here in 2020 we restart sectors in the safest possible way and in a way that gives people confidence to access businesses and to access leisure facilities.

Q168 **Chair:** Thank you, Virginia. I think Beth wants to come back in, but before I ask her, Minister Skates, you mentioned tidal power there. Could you just briefly elaborate on that? Are you referring to the Swansea Bay Tidal Lagoon scheme that had previously been considered by the UK Government, which I believe the Welsh Government had committed money to should it receive the green light? Is that the project you are referring to in your answer there?

Ken Skates: I am talking generally, Chair. There are a number of projects around the coast of Wales that could be game-changing. I think it is important that both Governments examine the potential of tidal. Of course the projects in Swansea Bay—the proposals there—are probably the most advanced, so a huge amount of attention is being given to those. What we wish to see as the Government is not just one tidal lagoon, but an array of them. I am picking up—and you probably are as well—more positive noises from within key Departments of the UK Government, so I hope that in the coming weeks and months there will be a shift in direction in terms of tidal, but we examine every opportunity that is being proposed at the moment.

Q169 **Chair:** Does the Welsh Government offer of financial support to the Swansea Bay Tidal Lagoon scheme still stand if the UK Government does a u-turn on this particular project and gives it the go-ahead?

Ken Skates: I will have to refer to the Finance Minister here because I think it is the Finance Minister that is holding the funds for this.

Rebecca Evans: The original offer that we made was £200 million of financial transactions capital. If a viable project that was value for money were to come forward, I would look to make that £200 million of financial transactions capital available and we would have to consider how that might profile over financial years and so forth. If there is a viable value for money project obviously I would consider that and potentially make the funding available.

Q170 **Chair:** Forgive me for trying to push you on this, Minister, but do you consider the Swansea Bay Tidal Lagoon scheme to meet those two tests of being value for money and viable?

Rebecca Evans: There is quite a way to go in terms of understanding the fullness of the project and there are various projects that are being developed. There are different versions of a tidal lagoon project that are being developed in different quarters, I understand, so I will reserve judgment until I see a formal proposal in due course.

Chair: I quite understand. Geraint does want to come in very briefly on this issue. Geraint, just briefly.

Q171 **Geraint Davies:** In a nutshell, can we just confirm that the concept and idea of a tidal lagoon moving forward, green energy for 120 years, which is value for money—maybe with a different financial structure, maybe with different added value, different bells and whistles—is what we want, not necessarily this one, but we are still committed to going forward with green energy that makes cost-effective environmental sense? Is that right?

Ken Skates: Absolutely.

Chair: Thank you, Minister.

Beth Winter: Thank you, Ministers, for giving us your time this morning.

Ken Skates: A pleasure.

Q172 **Beth Winter:** I want to delve a bit deeper in terms of particular sectors that are going to be affected by the pandemic and in particular the aviation and the higher education sector. Mr Skates, you have already touched upon the aviation sector and, as we know, over 23,000 jobs are provided through that sector with a £6 billion turnover and hundreds of my own constituents are employed in that sector. I know that Unite and other unions are calling for a taskforce to be set up, so what progress has been made with central government and what specific asks do we have? Likewise, in terms of the HE sector—which again contributes massively to the economy in Wales, employs over 50,000 people, and is at risk of in the region of a £300 million shortfall coming out of Covid—again, what are the Welsh Government doing, but more specifically, what should central Government be doing to try to save that sector, please?

Ken Skates: Thank you, Beth. In terms of the future of higher education, the Education Minister is probably best placed to be able to provide details of what engagements have taken place with the UK Government and what support is being considered by the Welsh Government. If I may, I will ask the Education Secretary to respond to those queries directly in terms—

Beth Winter: Could we have something in writing? That would be useful, please.

Ken Skates: Yes, absolutely. In terms of the aviation sector and aerospace in particular, there are a number of key asks we have of the UK Government but also a number of workstreams that we, as the Welsh Government, need to deliver on as well. We need to work together as two Governments in this regard.

One major ask I have already outlined concerns furlough and the UK Government could demonstrate their commitment to aerospace immediately by agreeing to allow those 500 workers at Airbus, who stepped up to the national effort and worked on those vitally important ventilators, to go into furlough. They have been told they are not allowed to go into furlough now that the work on the ventilators has been completed. I would urge the UK Government to allow them to enter into furlough to save their jobs.

Secondly—and this is a role for us—we need to ensure that the AMRC in Wales, the Advanced Manufacturing Research Centre, is the place where the wing of tomorrow is developed. The prototype for the wing of tomorrow will be hugely important for the aviation sector because it is the future of Airbus and all of those jobs that rely on Airbus.

Also in terms of supporting workers, we need to deliver—this is another Welsh Government objective—skills training for individuals within the sector in the form of personalised learning accounts. I have already outlined that we will use up to £40 million of the Economic Resilience Fund for skills and employability. Overall there has to be a stimulus package for aviation and aerospace. The French Government have announced 15 billion of support. Other Governments have said that they will offer an extended period of furlough. This is something that the UK Government need to deliver at speed because time is fast running out for the aerospace sector in Wales and we cannot allow it to go into the autumn haemorrhaging jobs.

Q173 **Beth Winter:** My next question is to Minister Evans. The pandemic has exposed and highlighted the inequities that exist in society. You have already touched on the fact that we have an aging population, but there are also many other vulnerable groups—young people living in poverty—and the ONS survey and the post-Covid expert panel on BAME communities this week published the disproportionate impact that the pandemic is having on vulnerable groups. I want to ask in terms of what the Welsh Government intend to do to be able to provide for these vulnerable groups but also, likewise, what should central government be doing in terms of more to address their needs? As well as issues like the Barnett formula, there are ideas like a Welsh welfare mansion tax. We have a universal basic income being floated, so there are other macroeconomic ideas that could be pursued. I do not know if you could look at it a bit more broadly possibly, thank you.

Rebecca Evans: Thank you. Our focus right from the start has been on the needs particularly of the most vulnerable people in society. You will see lots of the actions that we have taken reflected in our supplementary budget that we published yesterday. We were the first part of the UK, I believe, to put in place specific funding for the third sector, recognising the role that they play in supporting vulnerable people. The funding that we put into that at that time was over and above anything that we would get in that next consequential as a result of support for the third sector.

We have also put in place the shielded food deliveries for people. I know this is something that has happened elsewhere in the UK as well, but we have tried to use that for a dual purpose. As well as providing food to those people who were shielding, we have sought to increase the amount of food in those parcels that is from Welsh producers, so having that dual benefit of our investment in terms of helping the individual but then helping those local food producers as well.

We have also put in place a scheme for prescription delivery for vulnerable people. We have sought to do that. We have been very clear that some of the most vulnerable families are struggling. As I say, we were the first in the UK to put in place funding for free school meals throughout the summer. We worked hard with local authorities to find the best delivery mechanism for that, so it started out as the actual food being provided, but as time has gone on, local authorities have in the main switched now to providing vouchers for shopping to those families as well, so at every step we have been focused on the most vulnerable people.

We also took the decision here in Wales to reward our front line social care workers with a £500 payment just to reflect the particular role that they have played in response to the crisis. Also, in doing so, we were very mindful that this particular workforce tends to be very low paid and is not rewarded in the way that it should be for the work that it does. Unfortunately, Treasury has not been able to agree our request not to tax that particular payment, but nonetheless we thought it was an important recognition of the work that they do.

Stepping back and looking at that kind of larger picture, it would be a real ask of the UK Government to share much more information with us earlier on because I think it is difficult to plan a budget and to plan your interventions through a crisis and into recovery when you do not know the funding now that might be available. There are two particular risks with that. The first is that you might miss opportunities to make good interventions, just because you do not know that you will have the funding to be able to do that or that you go ahead at risk with things that you think you need to do and find then that you do not have the funding to cover it and that you have to look to other important areas to fill that gap.

That lack of visibility is a real issue and that is something the UK Government could help us with, because the Welsh Government are always proving themselves to be very trustworthy in terms of sharing information. Even before this, we worked very closely with the UK Government on Brexit issues and we shared and received very sensitive information, sensitive discussions and we never broke those confidences. We respected the kind of nature of those conversations that we were having, so there is every good reason to trust us with more information so that we are able to use that to better plan.

Ken Skates: May I come in on this important point as well about particular groups who are at risk? There are some scary statistics regarding this. If you take young people, for example, those aged under 25 account for just 12% of all employees within the Welsh economy but they make up over a quarter of employees within shutdown sectors. If you look at women, 18% of women are employed in shutdown sectors compared to 14% of men.

If you look at skills levels, you will find that only 10% of people with qualification levels of level 4 or higher are in shutdown sectors, whereas 20% of people with level 2 qualifications and 20% of people with qualification levels below 2 are in shutdown sectors.

Then finally, 20% of all employees of black, Asian and minority ethnic background work in shutdown sectors compared to 15% of white employees. Therefore it is pretty clear from the stats that young people, women, people with low levels of skills and people who are black, minority, ethnic or Asian are going to be adversely impacted by coronavirus.

There is a role for the UK Government and the Welsh Government in militating against this and supporting people through the months to come. We are going to be investing very heavily in employability and skills support. We expect DWP to be making an announcement soon as well regarding support from the UK Government. We have established Working Wales as a one-stop shop for all advice and guidance concerning skills training and employability support, but what we need to do is essentially change the system. We have to see the economy as an entire system. We cannot just see methods of militating against the impact of coronavirus in isolation and hope that we can help people that way. We want to make sure that we change the future prospects for people, of all people, particularly those who are the most vulnerable. That means we have to build an economy based on inclusive growth and based on the industries of tomorrow.

I will send a hyperlink to the economic action plan, which was devised to drive inclusive growth and to support industries of tomorrow. It is more relevant today as an action plan than it was a few years ago when it was published in happier times. But there is a great role for the economic contract to be adopted by the UK Government in addressing inequalities and a lack of social justice for many people in the UK.

Q174 **Beth Winter:** Many thanks. Minister Evans, you have just touched upon Brexit—

Chair: Briefly, Beth.

Beth Winter: You have just touched upon Brexit. I know that there are significant and understandable concerns about the Shared Prosperity Fund and the Welsh Government have made it clear that they want an extension of the transition period. What effect do you feel that the pandemic is having on the implications for the Shared Prosperity Fund? Have the priorities of the Welsh Government changed and what needs to happen? Because there is silence from central government on this important issue for Wales.

Rebecca Evans: You only have to look at the interventions that we have been able to make already in terms of the response to the coronavirus through our Covid-19 reserve, so that is the additional funding I was talking about earlier, where we were able to repurpose that European funding. If we did not even have that funding that would have made a big dent in the support that we were able to offer to Wales throughout the coronavirus crisis, so that is a real concern.

It seems to me just ridiculous to be pursuing a potential no-deal Brexit at the end of this year when we are still dealing with the coronavirus pandemic that is going to be with us for quite some time. There is a danger of course that there could be another spike in the winter because we know that the coronavirus likes the dark. It likes damp weather and so on, it likes the cold, so we have to be aware of all of this and factor it into our thinking.

In terms of the Shared Prosperity Fund, that has been a disappointment from start to finish in the sense that the engagement that we have had from the UK Government has just been lamentable. There has been no sharing of information about plans on the Shared Prosperity Fund. We have done lots of work in Wales setting out what that fund might look like for the future. That work is even more relevant now because there were things in it that pointed towards the need for multiyear funding agreements, for example. That kind of certainty would be really positive now as we move into the recovery phase. Also that local decision making because it is people on the ground—people in communities here in Wales with whom we have excellent relationships, strong networks and so on—who are best placed to identify the kind of interventions that would make a difference locally.

The Shared Prosperity Fund has the potential to be useful to Wales in an important way, but only if it is designed in a way that is fair and which lives up to that promise that we will not be a penny worse off in Wales and that we will not be a power lost. We still need to be very clear about those things, but even just sharing a draft or some principles or some early thinking would be helpful because at the moment the silence has been quite deafening on this.

Q175 **Tonia Antoniazzi:** Rebecca, we have heard concerns about the suitability of loans from many businesses particularly in our constituencies. The main reason is because repayment is uncertain and the future is unknown for many of them. Is there a case to be made for more grant aid or tax rebates?

Rebecca Evans: I will ask Ken perhaps to address the substance of the question because he is closer to the ground in terms of the discussions on the loans, but it is worth me just taking this opportunity to mention that we have asked HMT to provide data on the CBILS, both on a national basis and then on a regional basis, for us to understand which areas of the UK have benefited and to ensure that it is having reach into our Welsh communities. We have not yet had that data, but I am sure it would be of interest to the Committee as well.

I will hand over to Ken on the question on particular interventions and the loans and to what extent they are what businesses really need.

Ken Skates: Sure. Thanks, Tonia. I would agree that perhaps at a UK level additional grant aid would be beneficial, recognising that a lot of businesses have taken on a significant amount of debt. Within Wales we have been able to offer that through the £500 million Economic Resilience Fund. If the UK Government were to make available more grant aid of course we would then have consequential of that to be able to pass on to Welsh businesses, but already we have addressed the grant aid question by providing the Economic Resilience Fund.

Then in terms of loans, the Development Bank of Wales, which has been an exemplar performer during the course of this pandemic, has supported about 1,000 new customers, not just existing customers, and that is significant, new customers. It is significant because high street banks are generally only supporting their existing customers. The Development Bank has reached right out and has supported a huge number of additional customers. I would wish to see the UK Government recognise the vital role that the Development Bank of Wales has played and support the bank in offering more loans.

Of course a lot of businesses would find that difficult, but the fact of the matter is that the Covid loans from the Development Bank come with a year's holiday and a fixed rate—an incredibly low fixed rate—of interest for the course of the next six years. It was a product that was much in demand. It was incredible, the degree of demand in the first week that the scheme operated and the Development Bank at the moment is looking at how it can support the recovery. I very much welcome close scrutiny by UK Government of the Development Bank because I do believe that it is an exemplar performer.

The high street banks play an important role now in ensuring that businesses have the short-term working capital to be able to get through the coming months while they begin the process of generating revenues. Banks have to operate in a compassionate and understanding way and that is in terms of not bringing to an end overdraft facilities before time. It means ensuring that they are able to process CBILS applications speedily and it means ensuring that the bank's loan scheme is operated in the most effective way. It has been a success to date.

Q176 **Tonia Antoniazzi:** Thank you for that. Would you be able to give us a briefing note on the Development Bank of Wales? The work that has been done is absolutely brilliant and the Committee would benefit from having it and being able to publish it. That would be brilliant.

Ken Skates: Thank you, Tonia. What I will do, if you don't mind, is ask the chief executive of the Development Bank to perhaps put together a briefing, not only in terms of what the bank has done during the course of coronavirus, but all of its other products and how it has been able not just to meet its targets but to exceed them.

Q177 **Tonia Antoniazzi:** A quick question from me for both of you. I am not expecting a big answer. We have learned a lot. I think the Welsh Government have been exemplary and I would like to thank you both for speaking to us today and being so honest. However, we have to think about our future, about our communities and our working relationship with the UK Government. If there was one thing that would build a better future for the people of Wales and in our constituencies, what one ask would you have, in your roles as Ministers, of the UK Government to make life better for people in Wales?

Rebecca Evans: For me, it would be no return to austerity in order to pay for the interventions that the UK Government have made in terms of the immediate response to the coronavirus epidemic. We were just starting to emerge from 10 difficult years of cuts upon cuts in terms of our budgets here in Wales. With borrowing rates as low as they are at the moment, I think there is some space for the UK Government not to revert to a policy of austerity because that would just be hugely damaging for individuals and communities in Wales.

Ken Skates: I agree entirely with Rebecca. If we are allowed two suggestions, I will add my one to Rebecca's and say that the UK Government should be true to the promise of levelling up the UK.

Robin Millar: Ministers, welcome. It is good of you to join us. Minister, if I may, we have met so I should call you Ken.

Ken Skates: Yes, no problem.

Q178 **Robin Millar:** Obviously I have not had the privilege, Minister Evans. First, thank you, Ken, for the work that you have done in increasing the recognition for north Wales. I represent Aberconwy, proud to do that, and the work that you have done there with the Growth Deal and the North Wales Economic Ambition Board have both been much appreciated, a strong foundation for that region.

Ken Skates: Very kind.

Q179 **Robin Millar:** No, not at all. One of our witnesses said to us that they felt that there were decades-old structural problems in the Welsh economy. What do you consider they are and what have the Welsh Government been doing about them?

Ken Skates: Robin, you are absolutely right. There are decades-old structural challenges that we still face in the Welsh economy and they go back to the industrialisation, the loss of people who were in good jobs, who were well-skilled in those jobs, who found themselves without an opportunity to go into similar jobs. Reskilling and upskilling is a major structural challenge. I have already highlighted the fact that over the last 20 years we have seen the proportion of people with no qualifications more than halve, but it is still true that on average skills levels in Wales are lower than in the UK. We have invested incredibly heavily in upskilling and it is a great success story to date, but we need to go on doing that and we will do so through programmes such as our apprenticeship scheme. We have a target of creating 100,000 all-age opportunities for apprentices in this Assembly term and in spite of coronavirus, we will meet it. That is one structural problem.

Another structural problem concerns infrastructure. We have, as many experts have described it, the finest Victorian railway system anywhere on the planet here in Wales because of significant underinvestment for many years. In order to improve our infrastructure, we need to see this addressed. In north Wales, for example, we are making the case for investment in the North Wales Main Line, and also for High Speed 2 to serve north Wales so we do not miss out on that opportunity. Very recently I wrote to UK Government Ministers regarding the Wrexham to Bidston line. We would like to see that upgraded so that we can have a true metro system offering a direct route from Liverpool to Wrexham and then through north Wales as well. It will come at a cost of about £100 million, but I am incredibly excited about that particular programme because it would form the spine of the North Wales Metro.

Then another structural weakness—I do not want to highlight too many—has been digital. We have intervened with Superfast Cymru in this regard, but in a non-devolved area we find ourselves still disadvantaged so there is still the need to improve digital infrastructure in Wales.

It is worth saying that the legacy of our industrial past is that 5% of the population, around 50% of the steel industry, is in Wales. We rely incredibly heavily on the steel sector and that is why schemes such as the Industrial Energy Transformation Fund are so vitally important. When we were asked about the Industrial Energy Transformation Fund and whether we wished to participate in it or whether we wished to get a Barnett consequential, I said to UK Government Ministers that we wished to be part of it because if we only get a Barnett consequential, we will not be able to do anything with it. At a very minimum we would expect at least a Barnett equivalent to be invested within energy intensive companies in Wales, but we would expect, on the basis of need, the full proportion of the Industrial Energy Transformation Fund to come to Welsh industry.

Q180 **Robin Millar:** I was very interested in looking at some of the stats around the Welsh economy, somewhere near 267,000 enterprises, that kind of thing, but it is quite striking that of that some 253,000 are micro businesses—less than 10 employees—and 262,000 are less than 50 employees. I must admit my ears pricked up when you said that you felt that we were on the right path—I think that was your phrase used earlier, the right flight path—because in fact in 2018-19 turnover and revenues from that sector dropped by 20%. To have 262,000 out of 267,000 enterprises overall reporting a 20% drop in revenues is a significant issue. I was surprised. Where I am coming to is to ask a question about the economic contract and what support that is offering to those businesses. For example, how many businesses have now signed up to the economic contract?

Ken Skates: So Brexit uncertainty has, without a doubt, affected Welsh businesses and especially micro businesses. We had, going into coronavirus, a higher business birth rate than the UK so it stands to reason that over the course of several years, because the birth rate has been so high, there is an increasing proportion of micro businesses. We have been looking at how we can support what is described as "the missing middle" and also the foundational economy and accelerated growth of micro businesses through support from Business Wales.

In terms of your question regarding the economic contract, there are now several thousand businesses applying for the contract as a result of the Economic Resilience Fund. By the time phase 2 of the fund commences, we would expect more than 6,000 of those businesses that benefited from phase 1 to have signed up to the contract. By the end of the response to the coronavirus, it is my hope that we will see that figure rise considerably more.

I wish to see the economic contract utilised more widely, through procurement, for example, because the principle of the economic contract is to drive inclusive growth. I would also like to see it utilised within the public sector as well, recognising that the public sector has a huge role to play in decarbonising Wales and promoting better mental health and skills.

Q181 **Robin Millar:** Before we move from the private sector to the public sector, I think the aims within the economic contract are extremely laudable. Moving companies to a more sustainable view of the future, that is part of the partnership that we have with society, with the environment. It makes all sorts of sense, and fair and good working practices, obviously one would hope that those are in place everywhere anyway, but clearly encouragement is on your mind there.

My concern is that, certainly in the first year, just 200 businesses signed up and the figure you have given, 6,000, that is still fewer than 3% of enterprises in Wales. My concern is that looking at the list of the four objectives or qualifications for the economic contract, three of those, business people looking at them would say there are costs involved. My concern therefore is that with 262,000 out of 267,000 enterprises having fewer than 10 people, this contract is hitting those who are least well-placed to take part, hitting them the hardest and placing the biggest burden on them. I am concerned about them in the context of support for business. Is this counterproductive?

Ken Skates: No, I do not believe it is. First, it is not about a simple exercise in encouraging a business to make immediate change. It is about an ongoing dialogue and relationship with Welsh Government. It could attract further support. It is about moving from the position of co-existence with businesses to true collaboration. It opens the way for us to work with businesses, through Business Wales, in enhancing the prospects of business.

Q182 **Robin Millar:** Let me just interrupt for a second there. You used the word "collaboration" and Virginia picked up on it earlier, I think, perhaps in a slightly different context. I think it is even fair to characterise the approach of the Welsh Government as being an interventionist approach.

It is a different school of philosophy and that is fine, I accept its legitimacy. Would you agree that that is what you are saying, that this is an interventionist action from the Welsh government into the market economy?

Ken Skates: It is, but I think we are all interventionists now through the Job Retention Scheme and Self-employment Income Support Scheme and so on. I think the world has moved on and there is recognition now that Government have a role in encouraging better business working practices, in making sure that money is utilised in a way that we get more, if you like, bang for our buck, that we move on to a something for something agreement between business and Government. Although the proportion of the overall business community remains small, we have seen an increase of more than 1,000% in the number of businesses signing up to the economic contract—

Q183 **Robin Millar:** It is 100% if you went from one to two, so with small numbers, it is very easy to get those big percentage increases.

Ken Skates: But the path is incredibly steep, the rise is incredibly steep, and it is only recently—it has to be said it is only recently—that a lot of businesses have become aware of the economic contract and how it opens up opportunities. For example, we will be launching a start-up bursary as part of the next phase of the Economic Resilience Fund. The start-up bursary is going to be supporting those that started up after March 2019 and as part of the conditionality of the bursary we will be wrapping around those start-ups Business Wales support. That demonstrates the value of the economic contract in enhancing the support from Government beyond simply grants or loans and making sure that we share advice, we share support and that we encourage collaboration across businesses as well.

Q184 **Robin Millar:** If I could move to my last questions about my concern and my reservations around the interventionist approach—and I do accept that there is always a role for some degree of state intervention; it is just to what degree—my concern is that there is a different mind-set, a different mentality. Perhaps I could reference Minister Evans's comments about nervousness about a no-deal Brexit or a transition phase and the risks attached to it. Everybody makes assessments of risks. Today we made assessments of risks about getting up out of bed and walking downstairs, despite the number of people who will tragically die from that each year just by falling down the stairs. Within a business, there is a mentality towards recognising the risks and pushing through them, seizing opportunity. In terms of success, how would you measure the success of these interventions and the approaches you are taking? I find success measures very revealing in terms of mentality.

Ken Skates: There are a number of measures that will be testing the success of our interventions. One obvious one is jobs growth and jobs retention; a second is productivity; a third concerns wellbeing indicators. That question that you rightly asked regarding the economic contract, the cost to business, will it make a difference, I put that question back. Is it not the case that only those businesses that do what the economic contract is encouraging will survive, those businesses that upskill their workforce, businesses that invest in human capital, businesses that abide by the principles of fair work and businesses that decarbonise and compete in those sectors that are going to be the future? Essentially the economic contract is encouraging businesses to shift towards the future more rapidly rather than be dragged into the future by international competitors. We want to be ahead of them.

Q185 **Robin Millar:** In order to answer that, it would be more a question of it is an incentive. The evidence suggests, on the numbers you have given, that people are not interested, they are not interested in that incentive.

Ken Skates: I am sorry, I should just say that when an economic contract is signed, it is detailed and bespoke for each business and it carries with it a plan for improving ways of working and competitiveness. I fully accept the numbers are what they are, but equally, this is a new intervention—

Q186 **Robin Millar:** The aims are laudable. Thank you for that. It would be remiss of me though not to finish by saying in terms of competitiveness—because I agree about productivity and I would add competitiveness because they would be key focuses now for any improvements in the Welsh economy—I cannot avoid saying that the divergence that we are seeing is having an incredible and real impact on business now, today. Even this morning as I was waiting for this session, I received two e-mails from residents, businesses in the constituency that said, "We are losing trade today. Phone calls are happening before 9.30 this morning from customers who are going to England because England is open and we are not."

Just to impress upon you the real and pressing decisions that businesses are making about employment, about ordering now for Christmas and the Christmas period, some, frankly, are making the decision that we are not going to open now until next April tourist businesses, "We are not opening now until next April. It is too late". If I could just impress that upon you as a final point, please.

Ken Skates: Point taken. But I also think it reflects the need for our counterparts in the UK Government as well not to move in a divergent way without giving us prior warning and giving us an opportunity to scrutinise the evidence that has led to decisions being made. We wish to have a relationship based on respect and sharing of information and intelligence so that we can move out of this as four united nations.

Q187 **Chair:** Minister, you spoke a few moments ago in answer to an earlier question about the importance of improving Wales's infrastructure. We have talked this morning about the need for economic recovery and the urgency of that. We have talked even about some specific projects that might be floating around. There is one enormous infrastructure project that you could give a green light to that would create jobs, which would have a measureable impact on improving the Welsh economy, and that is the M4 relief road. Given that we are moving into a phase where we are having to look at these things perhaps in a new light because we recognise the seriousness of the crisis that we are going through and will have for some time in the future, is there not a case, Minister, for looking again at the relief road and looking at it in a new light and giving it the go ahead?

Ken Skates: I do not think there is. We should not invest in the infrastructure of yesterday in order to stimulate the economy. We should be investing in the infrastructure of tomorrow and that means pumping more money into public transport systems, pumping more money into active travel and investing in smarter working practices so that major road schemes are not even necessary.

We have proposals for investing in, as I highlighted a little earlier, towns and smaller communities that will allow people to avoid the need to travel significant distances to big cities to work. That will alleviate congestion, but it will also breathe life into smaller towns and communities that have struggled, not just in the past few months, but for many years. We are determined to make sure that those towns near where I am now, towns like Wrexham, have a strong future. Investing in those places, applying a place-based economic development principle first and foremost is absolutely vital.

In terms of transport and connecting infrastructure, you are absolutely right. It will play a major role in any economic stimulus package. We wish to see the archaic rail system, the infrastructure that exists on the Wales routes, upgraded and improved at speed. I have highlighted a number of schemes that are pretty much shovel-ready—ready to go—that would make a massive difference in terms of the provision of public transport for generations to come.

Chair: Thank you, Minister. I have Beth and Simon who want to ask two very quick final supplementaries. Beth.

Q188 **Beth Winter:** I think we can all agree that the pandemic has had a terrible impact on our communities, but it cannot be looked at in isolation from other factors. You mentioned, Rebecca, the 10 years of austerity, and we are facing an extra threat from climate change, but I want to specifically pick up on the issue of flooding. My constituency is based in the local authority of Rhondda Cynon Taf, which was the worst hit by the flooding, and the estimated cost of £67 million stands in terms of the recovery and the remedial works that are required. Specifically on the flooding issue, what discussions are happening with central Government and what is needed to address that? Because we have just had more flooding in Rhondda particularly and there are concerns going forward.

Rebecca Evans: We had the opportunity earlier in the session to talk about the Barnett formula and the limitations of that. Flooding, and the spring floods that we had this year, are examples of where the Barnett formula is not fit for purpose, because that was an exceptional situation that affected us in an exceptional way. You will recall that the Prime Minister made the commitment that there would be additional funding over and above the Barnett formula coming from UK Treasury reserves and that it would be passported to the Welsh Government in order for us to undertake the repair work and the other work that needs to be undertaken. The same also applies to the coal tips of course.

We have been doing some work with local authorities, including RCT particularly, to work out what the ask might be in terms of how much it is going to cost to make the necessary repairs. We have come to the figure now of in the order of £100 million and worked out how that should be profiled over the coming years. Now we have that figure. It has taken some time because, as you will appreciate, some detailed exploratory work needed to be undertaken to make those assessments. I have written to the Chief Secretary to the Treasury outlining that figure and I know that officials in the Welsh Treasury met last week with officials in HMT to discuss taking that forward. The Prime Minister made a very clear commitment that there would be funding over and above what would be a Barnett share for this and we look forward to that reaching us.

Simon Baynes: Picking up on two very quick points and I will be very brief.

Chair: Very brief.

Q189 **Simon Baynes:** The first point is that in easing the lockdown, I think there is a perception that in Wales there is a lack of transparency coming from the Welsh Government in terms of what their plans are for easing the lockdown. People seem to think that the forward planning is clearer from the English Government and I think that is something that does need attention because it does affect businesses very significantly.

The second brief point is that Minister Evans talked about austerity. Going back to my point about local authorities, I think the local authorities in north Wales and mid-Wales would say that there has been considerable austerity presented to them by the poor local government settlements from the Welsh Government in past years compared to south Wales. I would just plead that when it comes to compensating councils across Wales, as we discussed earlier on, due process is followed to take into account how hard hit those local authorities have been in north Wales and mid-Wales in past years.

Rebecca Evans: As you would expect, I disagree with Simon on both those issues. I am sorry to end the session on a disagreeing note. However, I think that it is fair to say that we have been quite clear with our plans in the sense that we set out quite some time ago now our unlocking our economy and society document, which was that traffic light system in terms of what steps we would take in order to come out of lockdown. I think that was an important document, to share that roadmap ahead.

It is very difficult—and almost impossible sometimes—to put exact dates on things, especially when they are in the future. Being asked today for an absolute guarantee that all children will be back in school full time in September is a nonsense question—one that I have not had from this Committee, but we have had elsewhere today—because we just do not know, in the course of the pandemic, where we will be in several months' time. What we do try to do, as far as possible, is to plan and then do. We make these plans, we make the announcement of what we will seek to do in future weeks and then work with the sectors to prepare, rather than springing announcements on sectors, in order for them to respond rapidly to them. We try to take that social partnership approach across all sectors in terms of the way forward. I completely understand the frustrations of certain sectors that will be more difficult to unlock and we need to keep having that close engagement.

On the local government settlement, of course the Welsh Government have invited local authorities. If they together have a view that the formula is not working, of course we will entertain all suggestions as to changes that might be made to the formula. The fact is that the formula for the local government settlement is agreed by what is called the distribution sub-group, which is made up of local authorities and determines the way in which funding is allocated. Obviously if local authorities collectively want some changes to that, we will welcome those discussions and take them very seriously.

Chair: Minister, thank you very much. We have just about run out of time. Forgive me, other Committee members who wanted to come in with final supplementaries, unfortunately we cannot do that. Let me say a huge thank you to Minister Ken Skates and Minister Rebecca Evans. You have been incredibly generous with your time. We have appreciated that and have appreciated your very frank and thorough answers. I hope this has been as useful a session for you as it has been for us. We hope to see you again. Best wishes with everything you are doing.

Rebecca Evans: Thank you.

Ken Skates: Thanks very much, really good to join you. Take care, everyone.