

Council for Economic Renewal

Date: 1 December 2010

Venue: QED Centre, Treforest

In attendance:

Ministers

First Minister

Minister for Business and Budget

Stakeholders

John Bennet	(Wales Social Enterprise Coalition)
Nick Blundel	(UCATT)
Paul Byard	(Engineering Employers Forum)
Nia Davies	(FSB)
John Harper	(RICS)
Richard Houdmont	(CIM)
Richard Jenkins	(FMB)
Russell Lawson	(FSB)
David Leron	(ICAEW)
Bob Macey	(IoD)
Martin Mansfield	(Wales TUC)
Mick McGuire	(CML)
David Morgan	(RICS)
Graham Morgan	(Chamber Wales)
Paul O'Shea	(Unison)
John Phillips	(GMB)
Richard Price	(Home Builders Federation)
Non Rhys	(Chair of Business Wales)
David Rosser	(CBI Wales)
David Russ	(Chamber Wales)
Derek Walker	(Wales Co-op)
Sian Wiblin	(Wales TUC)

Officials

Tracey Burke
Jarlath Costello
Claire Germain
Gareth Hall
Teresa Holdsworth
Steve Hudson
Paul O'Donovan
James Price
Francois Samuel
Ed Sherriff

1. Introduction

- 1.1 The First Minister welcomed everyone to the meeting. He emphasised that this was a fresh start for the Council and an opportunity to build upon the good work of the Economic Summit process.

2. Future Working Arrangements for the Council

- 2.1 The First Minister introduced the first item on the agenda. The First Minister explained that there were two papers that needed to be considered together as they were directly linked. The first was a paper received from stakeholders on the working of the Council and the operation of the Business Scheme. The second was the Assembly Government paper on the future working arrangements for the Council. The First Minister explained that he would ask David Rosser to introduce the stakeholders' paper, before going on to introduce the Assembly Government paper and then opening both to general discussion.
- 2.2 David Rosser outlined how the paper acknowledges that this is a fresh start for the Council and for its interaction with Ministers. David explained that the paper aims to build on the opportunity for the Council to participate in a more structured discussion and for the business community to partake in early stage dialogue on the development of policy. The paper sought to formalise a commitment from both sides to developing a genuine partnership approach.
- 2.3 The First Minister welcomed the paper and confirmed the broad agreement of the Assembly Government to its recommendations.
- 2.4 The First Minister explained how the Counsel General as Leader of the Assembly Government's Legislative Programme had undertaken a review of legislative processes and procedures over the summer to ensure they are effective and fit for purpose. That review and its recommendations would be considered by the Cabinet shortly. Its recommendations would include proposals on the Regulatory Impact Assessment, including further guidance to officials on engaging with appropriate stakeholders at an early stage in policy development. It would help identify legislation which could potentially place a disproportionate, cumulative regulatory burden upon a particular sector.
- 2.5 The First Minister highlighted the three substantive issues in the Assembly Government paper. These were:-
- (a) The review of the Business Scheme – on which it was proposed that this should be delegated to the Officials Working Group and for it to report back to the next meeting of the Council for Economic Renewal on 9 March.

- (b) Frequency of meetings – on which it was proposed that the Council meets three times per-year.
 - (c) Membership – on which it was proposed that the current membership would continue but that there would be flexibility to draw in others as and when necessary.
- 2.6 The First Minister sought views on both papers. Non Rhys welcomed the proposal for a strengthened Officials Working Group. In her view the work of the Council needs to be underpinned by a coherent forward work programme and the Officials Working Group could ensure that there was forward momentum.
- 2.7 Martin Mansfield commented that three meetings per-year of the Council was adequate, but only if the Officials Working Group was effective in undertaking work between meetings of the Council. He alluded to the Reference Group which, in his view, was one of the least successful aspects of the Summits; the Officials Working Group would need to provide for a better model. He also said it would be useful if the Wales TUC could have flexibility in its membership according to the subject matter under discussion. Such an arrangement would better reflect the federated structure of the Wales TUC.
- 2.8 Bob Macey said he was very comfortable with what was being proposed and felt the new arrangements would improve the working of the Council. He felt that the work on reviewing the Business Scheme had in effect already been done and that the conclusions were encapsulated in the two papers now under discussion on this agenda item. As such he asked for the review to be 'light touch' in approach in order to avoid duplication of effort.
- 2.9 The First Minister confirmed that a 'light-touch' approach to the review of the Business Scheme would be undertaken. The First Minister agreed that the two papers under discussion provided a sound basis for reviewing the Business Scheme and as such a more fundamental review was not necessary.
- 2.10 David Leron remarked that the provision of future meeting dates was very helpful and that this was something that members had been calling for. In addition he said that increased flexibility in terms of the membership of the Council so that it better reflected agenda items would be advantageous.
- 2.11 The First Minister agreed, and said under future arrangements the Council would have the flexibility to 'co-opt' others as and when necessary.
- 2.12 Derek Walker welcomed the proposals and asked for consideration to be given for Social Enterprise representatives to be members of the

Officials Working Group, reflecting the role that social enterprise plays in economic renewal.

2.13 The First Minister summed up. The Council agreed the following:-

- (a) The Business Scheme would be reviewed by the Officials Working Group in time for it to report back to the 9 March Council meeting.
- (b) There would be three meetings per-year.
- (c) The current membership would be retained but with the flexibility to 'co-opt' others when required.
- (d) The desire of all parties to work together on policy development affecting business and the economy, but recognising that the final policy decision is the responsibility of Welsh Ministers.
- (e) That the Welsh Assembly Government commits to the spirit of s75 of the Government of Wales Act 2006 and the proper implementation of the Business Scheme.
- (f) Confirmed the role of the Wales Social Partners Unit in working with Assembly Government departments and the business organisations in order to facilitate implementation of the Business Scheme.
- (g) That the Welsh Assembly Government agrees to ensure all legislative and regulatory proposals have comprehensive RIAs prepared at an early stage in policy development, and that the business organisations commit to assisting in their preparation where information is required from business.
- (h) That each of the Welsh Ministers, accompanied by the corresponding Director General, attends the Council at least once a year to report on the operation of the Business Scheme within their department and their department's dialogue with business.
- (i) That the Welsh Assembly Government ensures that the Council for Economic Renewal working group has the ability to convert the good intentions of all parties into practical steps that will benefit the Welsh economy.
- (j) That all Welsh Assembly Government departments have senior named officials that are responsible for ensuring a proper engagement process with business on policy, legislation and regulation.

3. House Building and Construction – Issues and Concerns

3.1 The First Minister explained he would ask Richard Price to introduce the joint paper produced by the Home Builders Federation and the

Federation of Master Builders. He would then open up the paper for discussion before asking Francois Samuel to respond.

- 3.2 In introducing the paper Richard Price outlined the key issues. These were ongoing concerns on the part of the industry on what were perceived to be detrimental approaches to policy in the areas of sustainability, housing and planning.
- 3.3 Richard Price explained that in particular the Assembly Government and Local Government was perceived to be imposing more and more regulations on the house building industry at a time when land values have been hit by the recession. The key issues identified and upon which the industry was seeking better engagement were:-
 - Local Development Plans and Affordable Housing
 - Planning for Sustainable Buildings
 - Building Regulations and Sprinklers
 - Existing Stock Improvement, Incentives and Opportunities
- 3.4 Richard Jenkins alluded to the number of empty properties in Wales and that addressing how those empty properties can be brought back into effective and sustainable use was a major issue.
- 3.5 John Harper said that financial incentives to stimulate and encourage repair and building maintenance have a role to play. He said a cut in VAT on housing repair; maintenance and improvement would benefit communities across Wales and that this was something the Assembly Government should lobby the UK Government for. In addition, he said that action should be taken to train planners so that they better understand the factors in sustainability and planning.
- 3.6 David Leron agreed that a cut in VAT on housing repair; maintenance and improvement could make a real difference – alluding to the wasteful practice of the number of houses that could be made serviceable again but which are demolished.
- 3.7 Non Rhys commented that the paper highlighted very well the scope of the problem and the range of issues that need to be addressed. She suggested that on issues such as this, the Council should look to establish task and finish groups, encompassing the key stakeholders, to consider the issues and potential solutions in greater depth.
- 3.8 Mick McGuire welcomed the idea of a task and finish group to look at the specific issues. In particular he would like the group to look at innovative ways of improving the existing housing stock and funding the new housing stock that Wales needs.
- 3.9 David Rosser said the paper showed how detrimental the cumulative effect of policy and regulation can be and that this is something policy-makers need to consider more effectively.

- 3.10 Francois Samuel responded to the issues raised. He highlighted the engagement mechanisms that currently exist that enable the Assembly Government to continue a dialogue with the industry. In particular he highlighted the positive role of the Housing Programme Board that reports to the Deputy Minister for Housing and Regeneration. He also commented that policies were not considered in isolation, but that as part of the planning process, officials were aware of the cumulative effects of policy and regulation.
- 3.11 Richard Jenkins talked about the significant opportunity of improving the existing housing stock. He pointed to the Living in Wales study and the progress being made – and the positive influence of programmes like ARBED.
- 3.12 Russell Lawson said there was a need to measure the specific impacts of Assembly Government interventions on its programmes like ARBED and activity on micro-generation.
- 3.13 The First Minister brought the discussion to a close, emphasising that he was keen that the Council is action-orientated. **ACTION POINT:** The First Minister tasked Tracey Burke to establish a task and finish group of the key stakeholders (including RICS; HBF; FMB; Council of Mortgage Lenders, UCATT and DESH) to consider the key issues and concerns raised in the paper and the discussion. The task and finish group would meet in early January and report back to the 9 March meeting of the Council for Economic Renewal.

4. Assembly Government Draft Budget

- 4.1 The First Minister asked the Minister for Business and Budget to update the Council on the draft budget.
- 4.2 The Minister for Business and Budget emphasised that the draft budget reflects the Assembly Government's commitment to deliver responsible and sustainable spending plans, despite the most challenging settlement since devolution. The Minister explained how the in preparing the draft budget the distinctive Welsh approach to reflect Welsh needs, Welsh circumstances and Welsh priorities had been taken into account. The spending plans reflect the commitment to protecting frontline services, maintaining universal benefits, supporting the economic recovery, protecting the vulnerable and promoting equality of opportunity and outcomes for the people of Wales.
- 4.3 In response Martin Mansfield recognised that the Assembly Government draft budget has to reflect the realities of the scale of the cuts in funding imposed by the UK Government. He welcomed the steps being undertaken to manage and avoid compulsory job losses in the public sector and emphasised that the Wales TUC will continue to work with the Assembly Government. He cautioned that the private

sector in Wales was too small to absorb large-scale job losses and there was an urgent need to grow the private sector.

- 4.4 Richard Jenkins commented on to the construction sector and its importance in helping to lead the way out of previous recessions. He was concerned about the fact that construction was not one of the six key sectors in Economic Renewal.
- 4.5 Bob Macey referred to the £116 million reduction in capital budgets over the next three years and queried whether this undermines the Economic Renewal commitment to investing in infrastructure.
- 4.6 In response James Price stated that the whole-Government approach that underpins Economic Renewal will benefit the construction sector – as an example he commented upon the commitment on procurement. In terms of the reduction in capital budgets, this would be offset by the successful attraction of EU funds. Over £140 million of EU funding had already been secured and the Assembly Government was working to secure a further £116 million of capital funds from Europe up to 2015.
- 4.7 Non Rhys asked whether the EU funds James Price mentioned were diverted away from the former Single Investment Fund. James Price confirmed that they were not, and these were additional funds specifically for infrastructure projects.
- 4.8 In summing up the discussion, the First Minister emphasised the role of EU funds in off-setting some of the budgetary cuts and that Wales would need to continue to be flexible in accessing those funds and efficient in using them. The First Minister said that what the draft budget demonstrated overall was the difference that devolution makes in prioritising what is important to the people of Wales and delivering on those priorities.

5. Update on the Implementation of Economic Renewal

- 5.1 James Price introduced the paper, drawing upon the key headlines. These included the fundamental shift in policy and approach represented by Economic Renewal; the ambitious timescale for delivery; and the progress on delivery being made on infrastructure, innovation and R&D, skills, business support and improving the business environment.
- 5.2 In the open discussion Richard Houdmont reflected on the importance of encouraging innovation and creativity across all sectors and the skills gaps that currently exist amongst new graduates. Richard Jenkins asked whether the proposed Wales Infrastructure Plan would replace the Wales Spatial Plan.
- 5.3 James Price explained the preliminary work that was underway which included exploring the option of using powers under the Planning Act

2008 for the Wales Spatial Plan. He also said that innovation underpinned the key sectors and that there was a high degree of congruence between the key sectors in Economic Renewal and the Assembly Government's priorities for R&D and innovation.

- 5.4 Martin Mansfield alluded to the importance of the ReACT Programme – particularly at a time when further job losses could be expected. He also highlighted the value of the Skills Growth Wales Programme as a positive example of the Assembly Government intervening at a stage when it can make a genuine difference.
- 5.5 Teresa Holdsworth said the Skills Growth Wales Programme had been extended. On current projections budget would be committed slightly beyond March 2011, even though applications will close in March 2011, delivery will run through June 2012. The Assembly Government was determined to learn from its success and it would influence what is supported through the Workforce Development Programme.
- 5.6 Russell Lawson said there was a need for further information, particularly in the context of understanding the impact and effects of Assembly Government intervention. He also called for further information on the sectors; in his view business was unclear about what would be considered in or outside the sectors.
- 5.7 James Price said that a framework for measuring progress on Economic Renewal was currently in draft. However, this would be sensitive to the fact that many of the commitments in Economic Renewal, particularly those relating to infrastructure will deliver over the longer-term. The framework could be expected to include tracking indicators, but also clear statements on inputs, objectives and outputs for each sector. He also commented that a guide to business was available that gave further information. This guide could be circulated to the Council. James Price made it clear that it would be for the relevant sector panel to re-define the sector, and that the current working definitions were deliberately loose at the margins in order to allow good projects to be considered. **ACTION POINT:** The guide to business to be circulated to the Council.
- 5.8 David Morgan asked for clarity as to whether the Sector Panels would direct or advise Ministers. James Price confirmed that they would have an advisory role, providing external expertise.
- 5.9 John Harper asked about the progress on procurement. Tracey Burke explained the role of the National Procurement Board and the work underway to develop a more efficient process and better supplier information. She outlined the role of the Supplier Reference Panel, which will work with the Procurement Board to help shape policies.
- 5.10 The First Minister brought the discussion to a close by emphasising that the success of Economic Renewal will rely upon continued and

close engagement with business and other key stakeholders, including the Council for Economic Renewal.

6. Access to Finance

- 6.1 Tracey Burke and Claire Germain introduced the paper explaining that the objective was to get a shared understanding of the challenges facing business and support for the actions identified.
- 6.2 Non Rhys commented on the limited number of Welsh companies with a stock exchange listing and queried the potential to establish a Welsh Stock Exchange.
- 6.3 The First Minister said the notion of re-opening the Cardiff Stock Exchange does need to be considered, but that it is an idea that has to be led by the private rather than the public sector. The driver should come from business rather than Government.
- 6.4 In the general discussion that followed the following issues emerged:-
- the merit of taking forward activity to influence Welsh businesses into at least considering the potential to list;
 - the major challenge of securing investors and liquidity;
 - exploring the potential to use the pension funds of large employers in Wales as a source of investment;
 - the need to support the availability of working capital.
- 6.5 David Leron highlighted the role of accountants in enabling businesses to be bank and proposition ready. He said that progress could be made if the Assembly Government engaged with finance professionals on these very specific issues. In that respect there is a potential role for a task and finish group.
- 6.6 Tracey Burke brought the discussion to a close by welcoming the views of the Council. She said there was more work to do on both the supply and demand side of access to finance, and that setting up a task and finish group through the officials working group would have some merit.
ACTION POINT: Tracey Burke to set up a task and finish group on access to finance through the working group.

7. Close

- 7.1 The First Minister closed the meeting by thanking members for their attendance and for playing their part in a productive and informative meeting. He reminded the Council that the next meeting will take place on 9 March.

END

Summary of Action Points

1. Officials to establish a task and finish group of the key stakeholders (including RICS; HBF; FMB; Council of Mortgage Lenders and DESH) to consider the key issues and concerns in the paper and the discussion.
2. Officials to circulate the guide to business to the Council.
3. Officials to set up a task and finish group on access to finance through the working group.