

## **Submission to the Council for Economic Renewal**

### **The future of engagement between the Welsh Assembly Government and Business**

#### **Introduction**

Recent months have seen unproductive comment about the relative sizes of the public and private sectors in Wales. However, after the UK Budget and the Comprehensive Spending Review, there is now common consensus that economic growth will only reach the levels necessary to achieve aspirations for living standards and equality if the private sector improves its growth rates. The UK government is setting out its growth agenda and the Economic Renewal Programme (ERP) has done the same for Wales.

The private sector and the Welsh Assembly Government share a common objective of ensuring business success in Wales, for the clear economic and societal benefits that this will deliver.

Despite this common objective the business community, to a large extent, does not believe that the Welsh Assembly Government understands its needs, nor the impact of much of the Welsh Assembly Government's policy making. This is especially the case outside the Department for Economy and Transport and is sometimes the case within it. When the Confederation for British Industry (CBI) surveyed its membership in 2008 in preparation for a submission to the All Wales Convention, an overwhelming majority held this view.

As the Welsh Assembly Government presses ahead with a growing legislative and regulatory programme, understanding the full consequences and impact of its actions on the various sectors of business will be critical.

This paper asks the Welsh Assembly Government to commit to working in partnership with the business community in developing its policies and to confirm how it proposes to achieve that.

#### **Background**

The engagement process has a statutory underpinning. Section 75 of the Government of Wales Act 2006 requires the Welsh Ministers to prepare a Business Scheme setting out how they propose, in the exercise of their functions, to take account of the interests of business. That scheme must specify how Welsh Ministers propose;

- a) to carry out consultation about the exercise of such of their functions as relate to matters affecting the interests of business, and
- b) to consider the impact of the exercise of their functions on the interests of business

The main business representative organisations do not believe that this requirement has been delivered according to the spirit of the Act and rarely according to its letter.

The partnership approach is underpinned by new policy developments. The Economic Renewal Programme commits the Welsh Assembly Government, across all its departments, to properly understand the impact and costs of all its legislative and regulatory proposals at an early stage. This commitment to a proper understanding of the effects of Welsh Government policy, legislation and regulations on business has been warmly received by the business community.

However there are many instances where policies have been taken forward without proper recognition of the impact on key economic sectors. Examples are highlighted in the paper presented to this meeting of the Council for Economic Renewal (CER) by the Home Builders Federation, the Federation of Master Builders and endorsed by CBI.

Examples of superficial assessment of the impact of proposed legislation include the Regulatory Impact Assessments (RIAs) prepared for the Proposed Welsh Language Measure and the Proposed Waste (Wales) Measure. This was highlighted in evidence presented by the CBI and others to the National Assembly for Wales' Legislation Committees and the reports of the National Assembly for Wales' Finance Committee on these Measures.

Examples where there has been no consultation on issues that have a direct impact on business include the setting of the non-domestic rates multiplier, the decision to backdate the changes to the rates system for businesses based within ports which has high cost implications for those companies affected, and the reprioritization of the roads programme in Wales. The consultation process has also been seriously flawed in the introduction of the proposed Single Use Carrier Bag Levy. Even the decision to change the name of the Business Partnership Council might have been deemed worthy of a dialogue with those other bodies represented on it.

### **Way forward**

The business community, represented by the main business organisations, would prefer a more partnership orientated approach to its work with the Welsh Assembly Government. We fully recognize that the determination of policy is in the end a matter for the Welsh Ministers. However, we are convinced that we are much more likely to achieve better policy, at least in so far as it impacts on the business community, and therefore a better performing economy, if we can work together far more closely in policy development.

The proposal to review the operation of the Business Scheme and the expressed desire to revivify the Business Scheme is welcomed but it is important, not just to business but for the Welsh economy, that the Business Scheme is implemented in a meaningful way that directly benefits those organisations that are involved in creating wealth for people living in Wales.

The renewal of the contract with the Wales Social Partners Unit (WSPU) for a further three years provides the business and trade union community with some capacity to engage with the Welsh Assembly Government and we would want WSPU to take an active role in working with Welsh Assembly Government departments in this regard.

**Suggested actions:**

1. that the Council for Economic Renewal (CER) confirms the desire of all parties to work together on policy development affecting business and the economy but recognizing that the final policy decision is the responsibility of Welsh Ministers;
2. that the Welsh Assembly Government commits to the spirit of s 75 of the Government of Wales Act 2006 and the proper implementation of the Business Scheme;
3. that the CER confirms the role of WSPU in working with Assembly departments and the business organisations in order to facilitate implementation of the Business Scheme;
4. 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 businesses;
5. that each of the Welsh Ministers, accompanied by the corresponding Director General, attends the CER at least once a year to report on the operation of the Business Scheme within their department and on the department's dialogue with business;
6. that the Welsh Assembly Government ensures that the Working Group of the Council for Economic Renewal has the ability to convert the good intentions of the all parties into practical steps that will benefit the Welsh economy;
7. 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.