

**Council for Economic Renewal Meeting
Held at 9am on Wednesday 9 November 2011
At
Welsh Government Offices, Cathays Park, Cardiff**

Note of meeting

Ministers

First Minister

Minister for Business, Enterprise, Technology and Science

Minister for Finance and Leader of the House (for agenda items 4 & 5)

Deputy Minister for Skills (for agenda item 6)

Minister for Local Government & Communities (for agenda item 7)

Stakeholders

John Bennett, Welsh Social Enterprise Coalition

Paul Byard, Engineering Employers Forum

Julie Cook, Wales TUC

Ben Cottam, Chair of Business Wales

Ian Gallagher, Freight Transport Association

Allan Garley, GMB

Richard Houdmont, CIM

Richard Jenkins, FMB

Mark Judd, WSPU

Nigel Keane, WSPU

David Leron, ICAEW

Bob Macey, IoD

Martin Mansfield, Wales TUC

David Morgan, RICS

Graham Morgan, Chamber Wales

Phil Orford, Forum of Private Business

Richard Price, Home Builders Federation

Andy Richards, Unite

David Rosser, CBI

David Russ, Chamber Wales

Derek Walker, Wales Co-operative Centre

Gareth Williams, IoD

Welsh Government Officials in attendance:

James Price

Matt Jenkins (for agenda item 4)

Tracey Burke

Alison Standfast (for agenda item 5)

Lynne Hamilton

Owen Evans (for agenda item 6)

Jonathan Price

Rachel Garside Jones (for agenda item 6)

Alistair Davey

Jeff Collins (for agenda item 7)

Nathan Barnhouse (for agenda item 7)

1. Introductions and Opening Remarks.

- 1.1 The First Minister welcomed Council members to Cathays Park and set out the agenda for the meeting.

2. Notes and Actions from meeting held on 6 July 2011.

- 2.1 The notes were accepted. Tracey Burke, Acting Director, Strategy explained that all actions were either closed or would be after today's meeting. A meeting with Richard Jenkins from FMB to discuss the construction multiplier had taken place the day before the Council and other actions related to procurement, skills and the National Transport Plan were all on the agenda for today.

- 2.2 Richard Jenkins asked that the Action Grid be corrected, to reflect the fact that yesterday's meeting on the multiplier was with the FMB, not the HBF as currently stated. He also referred to research conducted by Dr Tom Nicholls on multipliers and which identified that Wales is lower across all sectors than the UK average.

ACTION POINT: Working group to correct Action Grid.

- 2.3 Tracey Burke noted that some of this is due to the size of the Welsh economy and it was agreed at yesterday's meeting that the paper on the construction multiplier would be submitted to the Construction Sector Panel for further consideration.

3. The Economy

- 3.1 The FM opened by saying that Wales is affected by the tough economic climate cross the globe and especially in the Eurozone. He commented that many of the important economic levers are held by the UK Government and went on to say that the Welsh Government has made it clear in the Programme for Government that the priorities are jobs and skills. Referring to his recent visit to China, the FM said the visit was generally positive; he had signed a Memorandum of Understanding with the City of Chongqing and also with the mayor of Beijing. The challenge was to take advantage of the investment opportunity from China.

- 3.2 The FM noted that Welsh Government had announced a range of actions to support business. He explained that Wales would receive £38.9m in consequential funding and this would be used to stimulate jobs and growth. He expressed his appreciation for ideas received so far from business leaders and Trade Unions.

- 3.3 Andy Richards commented that unregulated markets were not the answer and we have an opportunity to do stand apart from the UK Government's approach. He would like to see more done to stimulate growth and promote social justice. He highlighted the automotive and aerospace sectors as particularly badly hit by the downturn and that home grown supply chain really needs to be supported.

- 3.4 The FM acknowledged these comments and noted that energy costs were a major factor here. He asked for the Council's views on energy pricing and the shape of the energy market.

- 3.5 Davis Russ asked for feedback on international capability and agreed that China was a vast potential market. The Chamber had already made the case that we should focus on building connections where they are already strong. The FM agreed that it was key not to spread ourselves too thin. As an example, he said we should engage with specific geographic markets within China and not try to target the whole country. He pointed to Chongqing as a gateway to Western China.
- 3.6 Martin Mansfield said that although the Wales TUC would welcome the use of the use of council tax consequential funding for economic stimulus it would not want to see a pepper pot approach. Investment should be concentrated in areas on greatest need or impact. In response to the energy questions he suggested investing in a programme to insulate homes in Wales – which could reduce costs in deprived areas and provide local employment. There was also a need to ensure that the planning system was not a barrier to energy schemes.
- 3.7 Ben Cottam welcomed the Welsh Government focus and referred to recent comments by John Cridland (Director-General of the CBI) that the Eurozone crisis is sapping business confidence. He noted ongoing issues in the construction and retail sectors and that messaging from this Council needs to be positive wherever it can be, to help boost business confidence in Wales.
- 3.8 Richard Price agreed with the concerns expressed. He asked if the Welsh Government could consider adopting the First Buy scheme which has proven to be successful in kick-starting the market in England. Mr Price made the point that changes to planning regulation would also help house builders. On energy he suggested that we should invite representatives from energy companies to this forum to answer questions about pricing.
- 3.9 The FM agreed that it would be interesting to hear from the energy companies directly and worth following this up. Addressing the matter of competitiveness disadvantage and in particular Stamp Duty he stated that representation has been made to the Silk Commission on having control over Stamp Duty in Wales.
Action: Energy representatives to be invited to attend future meeting
- 3.10 Gareth Williams welcomed the announcement of Enterprise Zones, new key sectors and the reviews of city regions and business rates relief and suggested that Cardiff Airport be considered for Enterprise Zone status. He felt that some of the new consequential funding should be spent on infrastructure improvements. He asked that Council receive greater policy detail in future papers so it is able to better inform debate and asked that we increase the pace of our activities.
- 3.11 The FM commented that consideration is being given to the inclusion of Cardiff Airport within an Enterprise Zone, subject to the Airport delivering an acceptable plan for growth, as well as looking at other potential sites. Officials continue to discuss the detail of enhanced capital allowances and other related issues with HM Treasury. More detail on Enterprise Zones would come forward in due course.
- 3.12 David Rosser agreed with Martin Mansfield's comments about how to invest the consequential, especially on local schemes to improve house insulation which will get people back into work and lower energy costs. He agreed with concerns about

rising fuel prices and noted that the early cut in feed-in tariffs for solar means it is not as economical an option as it was previously. He went on to say that a fundamental decision about the balance between the environment and economic development needs to be taken.

- 3.13 Allan Garley said there was a need to support the private sector, especially as the UK Government's austerity measures are dampening confidence. He went on to say that procurement can play a key role in Welsh economic revival.
- 3.14 The FM commented on the issue of low business confidence, saying that UK SMEs hold sizeable assets but are currently not investing. He said stability was needed in the Eurozone in order to change this, also noting that nations like China need to have confidence that they are investing in markets that can deliver growth.
- 3.15 David Leron commented that we are talking about how to deal with short-term problems but that we also need to look forward and what Wales will look like as a manufacturer in 10 years.
- 3.16 David Morgan noted that Cardiff Airport was badly in need of new investment. On China he went on to say we need to engage with them on large scale options, especially in areas such as renewables.
- 3.17 The FM confirmed that the Welsh Government was engaging with China about large-scale projects and went on to say that there was an opportunity for smaller Welsh hi-tech firms to take advantage of a gap for hi-tech expertise. The FM thanked people for contributions commenting that it had been a useful discussion.

4. Draft budget

- 4.1 Jane Hutt, Minister for Finance and Leader of the House introduced the paper and that comments from the Council today are very important to feed into budget discussions. The focus of the budget was on growth, skills and job. The Minister stated that there needed to be close working with local government and other partners to maximise existing borrowing capacity to boost investment over coming years. The Minister asked for the Council's views on the paper.
- 4.2 David Rosser asked for an update on the National Infrastructure plan and about discussions with the UK Government about their infrastructure plans. The Minister advised that a statement would be made in next couple of weeks and engagement with partners will take place in the New Year.
- 4.3 Gareth Williams asked to what extent Government was willing to open up competition to enable private sector to deliver. The Minister said that the Welsh Government is looking for innovation and pointed to the example of the Welsh Housing partnership scheme funded by Welsh Government and Principality.
- 4.4 Martin Mansfield welcomed the emphasis on jobs and skills and referred to circumstances and changes to benefits. Support for procurement/ support skills for transport and infrastructure were needed to grow private sector for long term but that sight must not be lost of the public sector as an employer for both direct and

indirect jobs. He welcomed the Welsh Government mitigating UK cuts which is very important to private sector.

- 4.5 Richard Price asked if the National Infrastructure Plan could be linked to Wales Spatial Plan. Jane Hutt referred to her previous response, adding that the budget settlement to Local Government had been better in Wales. It was felt that the infrastructure plan should link to spatial planning in a strategic manner.
- 4.6 Phil Orford asked about accessing ERDF. Jane Hutt commented that this would be for consideration by the Business Minister and in terms of development referred to Jobs Growth Wales. The BETS Minister responded that in the future a more strategic agenda was essential to ensure that benefits were wider than one area and gave an example of science policy and higher education.
- 4.7 The First Minister commented that if Wales qualifies for the next round of structural funds that consideration is being given to targeting strategic projects. The First Minister then gave his apologies, as he had to attend a Remembrance Day function, and handed the Chair over to the BETS Minister.

5. Procurement.

- 5.1 The BETS Minister began by noting the procurement update provided to the Council and invited comments to the Minister for Finance and Leader of the House.
- 5.2 Allan Garley commented that the paper showed the good work being done, but that the Welsh Government could do even more to intervene in order to boost the economy. The TUC approved of efforts to increase spending in Wales but that a more pro-active, direct approach is needed. He specifically welcomed comments on page 12 about embedding community benefits. This approach needs to follow the 'core' approach to ensure that social requirements are built into the procurement process with community benefits specified as part of the tender and contract award criteria.
- 5.3 The BETS Minister referred to the work of the Construction Sector Panel around contracts and operation of frameworks and to the National Assembly Task and Finish group on Procurement.
- 5.4 Graham Morgan noted that an important issue was support for businesses who are trying to win contracts outside Wales, not just from within the Welsh public sector.
- 5.5 Richard Jenkins expressed support for Graham Morgan's point but stressed that the procurement process needs to support Welsh businesses now so that they grow and are able and confident to compete for contracts elsewhere.
- 5.6 Derek Walker endorsed comments made so far, noting that changes to EU procurement rules will provide an opportunity to refresh guidance in Wales so that it enables Welsh businesses to compete.
- 5.7 The Finance Minister welcomed the discussion and commented that we have to improve competitiveness and underpin procurement with enabling skills.

Responding on the point about community benefits and core and non-core activity the Finance Minister commented that she would be keen to look at this in terms of how the approach can be strengthened.

- 5.9 The Finance Minister commented that she was aware of the importance of procurement and business confidence and would welcome the opportunity to come back to the Council meeting with an update. The Finance Minister left the meeting.

6. Skills

- 6.1 The Deputy Minister for Skills provided an update on each of the three topics.
- 6.2 The Jobs Growth Wales programme will be implemented from April 2012. It will work alongside Skills Growth Wales which is planned to open shortly and is the programme successor to Proact. It will target significant employment opportunities in the private sector particularly within anchor and regionally important companies.
- 6.3 On skills, the Deputy Minister outlined the importance of understanding the needs of companies for effective recruitment and effective planning for skills provision. He referred in particular to three programmes: Workforce Development Programme direct to employers across Wales; Pathways to Apprenticeship programme and the Young Recruits programme.
- 6.4 The Deputy Minister provided an overview of the position on WESB advising that, from January 2012, membership would change in keeping with the focus on delivery, that it will have a greater employer focus and that he will be the Chair. WESB would provide input to the Wales commissioner on the UK Commission for Employment and Skills which is a strategic partnership organisation of which the Welsh Government is a co sponsor. The BETS Minister commented that the sector panels would be giving indications as to what skills are needed and training information for supply chains.
- 6.5 Martin Mansfield welcomed the Jobs Growth Wales programme commenting that it would be necessary to make sure interventions and schemes are co-ordinated and that companies are provided with services for them to grow. Young people should be able to see a route to progression. He welcomed the changes to WESB as the representative model would make it easier to consult Wales TUC as a member of the Board. The Deputy Minister commented that this model was needed to ensure organisations can represent their members' views.
- 6.6 Richard Houdmont raised the importance of developing skills of middle and senior management so that we can develop young people and he also highlighted that graduates lacked development opportunities.
- 6.7 Julie Cook commented that the Wales TUC welcomed Jobs Growth Wales but felt that there could be an issue with monitoring and what groups were accessing the programme. She asked about Welsh Government plans to monitor this. She also welcomed the Leadership management training outlined in the skills paper but asked for clarification on the process.

- 6.8 Ben Cottam asked how the opportunities for Jobs Growth Wales could be communicated to employers to enable them to maximise the opportunity.
- 6.9 Gareth Williams suggested that a debate was needed on red tape and bureaucracy and asked whether an external stakeholder group could look at simplification. He also commented that there was with a need for greater coherence between programmes and emphasised the need to work together to ensure programmes were properly connected.
- 6.10 The Deputy Minister accepted that good co-ordination between schemes was essential including a strong focus on young people, particularly considering the increase in the number of NEETs. One of the reasons for the Deputy Minister to chair the meeting and the changes to WESB is to ensure that it is a two-way process which will ensure an effective dialogue with employers.
- 6.11 The Deputy Minister undertook to look into the monitoring of the skills offer with regard to inclusion and report back to the Council. This could be an issue for the labour market intelligence unit and the Deputy Minister committed to look into it.
ACTION - Training to be on future agenda of CfER.
- 6.12 Owen Evans provided an overview Leadership and Management training opportunities and how they are accessible to third / public sector as well as private sector, for example the Leadership and Management Wales website.
- 6.13 The BETS Minister commented that it would be important how the new programmes will be communicated as they come on line from 1st April and the need to ensure business know that the programmes are running and where they can access them.
- 6.14 The BETS Minister thanked the Deputy Minister for Skills for attending. He then left the meeting.

7. NATIONAL TRANSPORT PLAN

- 7.1 The Minister for Local Government and Communities opened by commenting that the strategic plan would be presenting it to Cabinet in the next couple of weeks. Meetings had been held with some key stakeholders. There were strong reasons for theme of East/West transport links and particularly noting the importance of transport infrastructure to enable Communities to access employment. Details of the prioritisation would be available in December.
- 7.2 Andy Richards commented that paragraph 3.2, Access to employment, of the paper was welcomed. He also acknowledged that the Welsh Government cannot spread its budget too thinly. With current economic conditions, there was the opportunity for spend on transport to assist the economy and encourage people to use public transport to and from work. He commented that the Wales TUC strongly supports electrification of the London - Swansea rail link. He has referred to the First Minister previous support for the idea of a Valleys Metro and wondered if this could be developed further – perhaps to be considered at a future meeting.

ACTION: CFER WORKING GROUP TO FOLLOW UP

- 7.3 David Russ raised the issues of the severe weather conditions of last year and the difficulties the snow presented to mobility of people and products and asked if there had been any improvements or plans developed to cope with bad weather.
- 7.4 Richard Price referred to the City regions and suggested that the transport plan should also be across the Valleys and not just East/West.
- 7.5 Richard Jenkins commented that the National Transport Plan was a good way of invigorating the economy to lead out by construction projects through the plan.
- 7.6 The Minister commented that electrification was very important for economy of Wales. The Minister went on to refer to the matter of city regions and stressed the importance of working together. He referred to Enterprise Zones and the work with the LTP to ensure accessibility for the workforce.
- 7.7 In response to David Russ, the Minister advised that the team were working with Local Authorities regarding salt provision and confirmed that stocks are at their highest levels. In addition the Traffic Wales website had been updated providing local knowledge recognising the diversity of the regions in Wales and this would be going live shortly.
- 7.8 The BETS Minister thanked the LG&C Minister – he then left the meeting.

8. Any other business

- 8.1 The BETS Minister noted that from the discussions that the Valleys Metro and a procurement update should be considered by the Working Group as possible agenda items for a Council meeting. The BETS Minister asked members to feed in any further suggested topics to Tracey Burke for consideration by the Working Group.
- 8.2 The BETS Minister noted that the Working Group will receive an update on the Food Hygiene Rating Scheme Bill at their next meeting as part of the Legislative Programme.
- 8.3 David Leron asked about the position of publication of the Plans from the Sector Advisory Panels. The BETS Minister responded by advising they have progressed well on horizon scanning.
- 8.4 The BETS Minister informed the meeting that a City Regions Group was being established and would be led by Dr Elizabeth Haywood. The BETS Minister also commented that the groups she has established to look at specific issues had to operate as independently as possible before giving their advice to Government.
- 8.5 The BETS Minister thanked everyone for attending and closed the meeting.