

## **Council for Economic Renewal Meeting**

**Notes of meeting held at 9:30 a.m. on Monday 7 October 2013 in Conference Room 6, Welsh Government Offices, Cathays Park, Cardiff**

### **Ministers in Attendance**

First Minister  
Minister for Economy, Science and Transport  
Minister for Finance (Item 3)  
Minister for Communities and Tackling Poverty (Item 5)  
Deputy Minister for Tackling Poverty (Item 5)

### **Stakeholders in Attendance**

Alex Bevan, Wales TUC  
John Phillips, Wales TUC  
Martin Mansfield, Wales TUC  
Andy Richards, Wales TUC  
Paul Byard, Chair of Business Wales  
Richard Houdmont, CIM  
Nigel Keane, WSPU  
Emma Watkins, CBI  
Leighton Jenkins, CBI  
David Russ, Chamber Wales  
Iestyn Davies, FSB  
David Morgan, RICS  
Derek Walker, Wales Co-operative Centre  
Alex Jackman, Forum of Private Business  
Richard Jenkins, FMB  
David Leron, ICAEW  
Graham Morgan, Chamber Wales  
Lowri Morgan, The Law Society  
Robert Lloyd-Griffiths, IoD

### **Observers**

Ifan Glyn, FMB  
Heather Eason, WSPU  
Mark Judd, WSPU

### **Welsh Government Special Advisors and Officials in Attendance**

Permanent Secretary	Andrew Jeffries (Item 3)
James Price	Mick McGuire
Tracey Burke	Marcella Maxwell (Item 4)
Jonathan Price	Eleanor Marks (Item 5)
Owen Evans (Item 4 and 5)	

### **Apologies:**

Ben Cottam, ACCA; David Evans, Wales TUC; Peter Hughes, CML; Phil Orford, Forum of Private Business; Nick Payne, Road Haulage Association; Richard Price, Home Builders Federation; Huw Thomas, NFU; Ian Gallagher, Freight Transport Association; Mary James, NFU; Huw Roberts, IoD.

**1. Introduction & Opening Remarks**

- 1.1 The First Minister welcomed attendees to the meeting.

**2. Notes and Actions from meeting held on 3 June 2013**

- 2.1 The First Minister introduced this agenda item and asked Members if there were any issues regarding the accuracy of the notes or comments on the actions. No points of accuracy were raised, nor comments on the actions and so the notes of the previous meeting and actions were agreed.

**3. Draft Budget**

- 3.1 The Minister for Finance introduced a paper on the Budget Projections for Wales. The Minister explained that the paper sets out the challenging context of the draft budget and that there would now be a period of scrutiny following which the final budget will be published in December.
- 3.2 The Minister said that this budget reflects the most difficult financial situation since devolution and commented that a number of meetings had taken place with members of the Council over the summer to discuss the realities of the decisions that have to be made. The Minister explained that it is important that the partnership priorities are reflected in the budget.
- 3.3 Andy Richards of Wales TUC stated that he appreciated the Minister's on-going efforts to work in a spirit of partnership. Partnership working to date should be considered an achievement. He said that the Wales TUC would be prepared to work with the Welsh Government at all levels to mitigate the effects of the UK Government's austerity measures. We should not pursue short term approaches to managing the reductions as this would have a damaging impact on local economies.
- 3.4 Iestyn Davies of the FSB then referred to the capital investment figures reflected in paragraph 9 of the paper and stated that the FSB would support a continuing programme of capital investment. He said that there is a need to maximise the effects of procurement in this environment and that he would welcome a re-convening of a cross working group on procurement with which he had previously been involved.
- 3.5 Emma Watkins of the CBI agreed with the points made on partnerships. She stated that these discussions must continue in order to maximise the value of the existing budget and leveraging in other investments.
- 3.6 Richard Jenkins of the FMB stated that the in-roads that had been made into procurement were vital but that it is important to reduce the amount of spend that is going out of the country and that he would support Iestyn Davies' comments on continuing with the procurement debate.

- 3.7 The First Minister then spoke regarding the issue of capital projects, explaining that the lack of borrowing powers in Wales may mean that projects can not go ahead. He said that this leaves Wales at a significant competitive disadvantage and that if there is no change this is likely to mean that important projects, such as the M4 relief road, will not go ahead.
- 3.8 The First Minister stated that - despite a minority view in Westminster that the construction sector in Wales would not welcome the devolution of stamp duty - the recent consultation had shown there is overwhelming support in Wales for stamp duty to be devolved. He commented that the devolution of stamp duty is needed in order to support the construction industry and first time buyers. The First Minister stated that he does not accept the argument that this will create unwelcome market distortions: differences in council tax rates already exist between local authority areas without major problems, and stamp duty has already been devolved to Scotland. The First Minister said he welcomed the continued support of partners in making the case for change to the UK Government.
- 3.9 The Minister for Finance thanked Andy Richards for his remarks on partnership and agreed that partnership is key. The Minister agreed that it is important to maximise the powers that we currently have and welcomed the suggestion to continue the discussion on procurement.
- 3.10 The First Minister thanked the Minister for Finance.

#### **4. Discussion on Economic Priorities**

- 4.1 The First Minister introduced item four on the agenda and referred to the three supporting papers:
- The Economic Framework for Investment Welsh Government paper
  - Towards a Welsh Industrial Strategy
  - A whole government industrial/economic development strategy for Wales
- 4.2 The First Minister commented that the Welsh Government paper was intended to set out our framework for investment and outlines three priority areas People, Business and Place. He proposed that a workshop with Council Members be held in November to progress the draft of the Framework, and that an update could be presented to the next meeting.
- Action: Update to be provided to the February Council meeting**
- 4.4 The First Minister invited the Wales TUC to speak on their paper, followed by the CBI, and the Minister for Economy, Science and Transport and asked that comments on all three papers be made at the end.
- 4.5 Martin Mansfield acknowledged that the social partners and the Welsh Government had not had the opportunity to fully respond to the paper at the last Council meeting due to the timing of the TUC Annual Conference at which

the paper was launched. He described the TUC paper as distilling the views of the TUC regarding what is needed to deal with the current challenges that exist in the economy. The paper calls for co-ordination and prioritisation of key areas. Martin Mansfield stated that this is what seems to be emerging in the Welsh Government paper and that there is a lot in the paper that reflects existing government policy. The TUC would however propose adding a few areas to the Welsh Government paper, such as structural funds and housing.

- 4.6 Martin Mansfield went on to say that the formal methods through which the social partners can engage between meetings needs to be developed and referred to the early Economic Summits in this regard. He noted that the TUC sees a major role for the social partners in assisting in the development of strategy and prioritisation, and that there needs to be a coordinated approach to this across government, led by the First Minister. He welcomed the paper as a good basis for discussion, saying there was more to add and that the workshop will be important.
- 4.7 The First Minister thanked Martin Mansfield for his comments. He then invited Emma Watkins from the CBI to speak.
- 4.8 Emma Watkins agreed that building on momentum is key, and suggested that there is an opportunity to re-visit how we do things and that the CBI welcomes the Welsh Government paper. She agreed that there is a need to pull together all activities of the Welsh Government to focus and prioritise a few specific and measureable key priorities. She stated that the reference to key performance indicators was positive. She stressed that leadership from the top is also critical. She noted that business is often used to drive forward other policies but there is a need focus on how we drive forward the economy. She questioned whether the First Minister's Delivery Unit would have a role to play in measuring the delivery of the framework.
- 4.9 The First Minister responded that the Delivery Unit has a role in co-ordinating cross-government policy. This was evidenced in the response to the implementation of regulations around introduction of sprinklers into new build. He stated that there were two issues that he would welcome comments on: the content of the papers and any comments on the Council itself. He asked that all three papers be taken together in the responses.
- 4.10 David Russ commented that the one area missing from the Welsh Government paper is entrepreneurship and noted that there is a real need to invest in entrepreneurship as a long term commitment. He noted that there is a lot of work taking place in this field which is not currently reflected in the document.
- 4.11 Paul Byard welcomed the Welsh Government paper in particular the identification of opportunities going forward and the cross sector themes. He asked how this approach would bring the sector strategies together.
- 4.12 The Minister for Economy, Science and Transport stated that the sectors are evolving in different ways but that she could not foresee any problems in

marrying up the different approaches as part of the overall framework. She agreed with the point made on entrepreneurship. Entrepreneurship policy has evolved and this does need to be reflected going forward. The Minister agreed with Emma Watkins' point regarding the need for measurement and stated that we must continue to focus on the key issues of economic development and skills. The approach must be strategic and will require further work. The Minister explained that the social partners are seen as central to this.

- 4.13 Emma Watkins said that she believed that the social partners should express their support for the Welsh Government in the difficult decisions that need to be made.
- 4.14 Paul Byard commented that it is important to be looking at how business can globalise and the use of European Funds. In particular, Horizon 2020 provides a huge opportunity to drive the development of new products and services.
- 4.15 The Minister for Economy, Science and Transport commented that the Chief Science Officer for Wales had taken an active lead in looking at the issues around Horizon 2020.
- 4.16 Iestyn Davies commented that in his view there is a lot to commend in the Welsh Government paper and a refocusing on economic development. He agreed with the three themes. He said that it is important to look at the wider economic problems when we interpret the available data; that Wales would have faced considerable economic challenges even if the downturn in 2008 had not happened. He further commented that Wales should not fall into the same trap as England, focussing activity in the South East to the detriment of other parts of the country.
- 4.17 Iestyn Davies explained that FSB had not yet spoken to members, but that he was encouraged by the focus on creating an environment in which business can flourish. He commented that the issues that surrounded sprinklers and other similar policy areas may seem marginal but that it is important to show leadership. He went on to say that Council members needed to do more than just pay lip service to partnership and welcomed the workshop in November.
- 4.18 The Minister for Economy Science and Transport concurred that it is important to take a 'Team Wales' approach. The Minister emphasised the importance of developing a shared understanding and welcomed the CBI's comments on standing together when faced with difficult decisions.
- 4.19 Martin Mansfield commented clear whole government priorities need to be established. He also commented that the social partners have an obligation to stand up and support the Welsh Government when it makes decisions not to drive certain things forward.
- 4.20 The Minister for Economy, Science and Transport said that the economy is changing but it is not in crisis and it was important to use the right language in describing and understanding what needs to be done.

- 4.21 Iestyn Davies agreed that Wales is facing challenges in trying to position itself within the wider economic context and that this is why terminology is important. Of the three documents, it will be important to be clear which of the priorities will be taken forward and to reflect on sectoral prioritisation.
- 4.22 David Russ stated that business confidence is at the heart of economic renewal and that those confidence levels are growing.
- 4.23 David Leron agreed with this, stating that the business confidence monitor shows that, for the first time in ten years confidence has increased for three consecutive quarters with Wales being one of the more confident regions.
- 4.24 Robert Lloyd-Griffiths echoed these comments and agreed with an earlier point made that it is important to stand up and support policies where they are going to make a difference.
- 4.25 The First Minister said that the current issues are: borrowing powers, and being able to invest our own reserves. Government is a significant driver in terms of investment however without borrowing power we will be at a significant disadvantage to England. Borrowing power is needed to ensure physical connectivity. He also stated that he is not yet convinced that business is able to borrow as it needs to.
- 4.26 Robert Lloyd-Griffiths referred to an earlier comment on the M4, stating that this is crucial and that the impact of this intervention can not be underestimated.
- 4.27 The First Minister commented that there would not be an M4 toll but that we would want complete control of the Severn Crossing tolls. However there is uncertainty from the UK Government about when the current arrangement comes to an end and the level of debt that will be outstanding.
- 4.28 Martin Mansfield stated that while there are many good examples of good employers and more investment, it is still possible to identify structural weaknesses in Wales. He commented that the format of the Council should be able to deal with the prioritisation needed and how members can collectively look at the issue of prioritisation outside the Council meetings. He asked what the members could do together to put pressure on the UK Government. He added that members need to consider prioritising their agenda in line with that of the Welsh Government.
- 4.29 Richard Jenkins said that he believed that there is a broad consensus that stamp duty should be devolved and questioned how this could be brought forward.
- 4.30 The First Minister stated that it is widely believed in Whitehall that the construction industry in Wales does not want stamp duty devolved and that what is needed is for the big organisations to stand up and make their position clear.

- 4.31 Andy Richards stated that anchor companies, their supply chains and those companies that are growing in confidence have had support from the Welsh Government and that there was growing confidence in the support that is available. He said that we are all on the same team and all want to see business in Wales survive. He believed this to be a perfectly balanced committee to achieve that.
- 4.32 Emma Watkins commented that we are now in a new normal. There is not enough money being made for it to be invested back into business. We need the decision on Silk. She offered to contact some large firms and ask them to speak up on the on-going delay. She went on to explain that the focus of this body should be on outcomes.
- 4.33 The First Minister reminded everyone that there would be a November workshop and that the issue of outcomes would be brought to that meeting. . He invited members to consider the structure and format of the Council meeting and send observations and views to Tracey Burke.

**Action: Members to provide comments on the format/structure of the Council to Tracey Burke**

- 4.34 The First Minister asked if there were any further comments on the papers. No further issues were raised.

**5. Tackling Poverty**

- 5.1 The First Minister welcomed Jeff Cuthbert, Minister for Communities and Tackling Poverty and Vaughan Gething, Deputy Minister for Tackling Poverty to the meeting. He referred to the paper which had been circulated to Members for discussion.
- 5.2 The Minister for Communities and Tackling Poverty confirmed that tackling poverty is seen as a cross-departmental responsibility and that all Ministers have signed up to the Welsh Government Tackling Poverty Action Plan (Action Plan). He noted that the best way to tackle poverty is to get people into sustainable employment and that the Welsh Government is working to support this. He commented that the Action Plan has been developed in support of three guiding principles, to prevent poverty, help people into work and to mitigate the impact of poverty.
- 5.3 The Minister made reference to a specific action to tackle worklessness, and noted that Wales has higher rates of workless households than most other parts of the UK, with 200,000 households currently workless. He commented that the Action Plan includes a commitment to offer 5,000 opportunities to people living in workless households to find sustainable training or employment by the end of the 2017 calendar year. These will be focused in eight Communities First cluster areas.

- 5.4 The Minister noted that this programme will be looking to identify opportunities for work, similar to those made available through the Jobs Growth Wales (JGW) programme, to break the cycle of deprivation by offering employment opportunities. The Tackling Workless Households (TWH) programme is separate from the JGW programme, but JGW will contribute to some of the 5,000 opportunities.
- 5.5 The Minister spoke about the work of the Flying Start programme, and confirmed that Welsh Government would be doubling the number of Flying Start places to 360,000 children and families by May 2016. He also discussed the role of Credit Unions in tackling poverty as ethical providers of financial services and the need to increase adult membership. He commented that, more can be done to support Credit Unions, for example through considering the role of employer reductions.
- 5.6 The Minister made reference to the Future Generations Bill and noted that the role of the Bill is not to increase red tape, but to look at the wider impact of decisions made and how these can deliver longer term benefits.
- 5.7 The Deputy Minister for Tackling Poverty confirmed that a cross Government Implementation Board has been set up to oversee delivery of the Action Plan and that it is important to recognise the scale of the challenge and focus on what we can do.
- 5.8 The Deputy Minister noted that the wider public sector was also involved in delivery, and Tackling Poverty Champions have been appointed in Local Authorities to ensure links are being made within local Government.
- 5.9 The First Minister thanked the Minister and Deputy Minister and invited comments from the Council.
- 5.10 Jon Phillips commented that he was pleased to see tackling poverty as a separate agenda item and that it is essential that we move towards a more resilient economy. He stressed that there is an economic argument for reducing poverty levels and to increase the number of better paid sustainable jobs. He made reference to a recent ONS report which highlighted two trends; that rising consumption was being driven by increase lending and that investment as a share of jobs and expenditure was at its lowest levels since the 1950's. He suggested that the role of Credit Unions is particularly relevant in this context.
- 5.11 He noted the recent Joseph Rowntree Foundation report which identifies underemployment as a particular problem and raised concerns over the growth of zero hours contracts. He welcomed initiatives such as Jobs Growth Wales, noting that this is an indication of a Government that understands its role, and welcomed the positive targets around and placements made available for young people. He also made reference to the recent NEF report that identified that growth is key to tackling poverty, but stressed that growth alone would not be enough and that this needs to be accompanied by a wealth and distribution strategy.



- 5.12 Derek Walker, Wales Co-operative Centre, welcomed reference to co-operatives and social enterprises and confirmed that both would be ready to provide support to the tackling workless households programme. He concurred with statements around the role of Credit Unions and that Welsh Government should continue to support these as a way to manage money and access financial products. He made reference to the digital skills agenda, and noted that digital skills underpin work to tackle poverty, particularly in relation to access to jobs and training.
- 5.13 David Leron referenced successful activity being taken forward between English schools and ICAEW in relation to a business game competition. He advised that ICEAW are working with Careers Wales and are looking to launch the scheme in Cardiff. He commented that he was greatly persuaded by the work of Credit Unions and is happy to provide support with numbers.
- 5.14 He discussed the Pitch, another programme which was held in Paintwork. This programme included the opportunity to exchange tickets for £10 Bristol pounds. He cited this as an interesting approach to promote expenditure within a region and suggested something similar could be considered for Wales, connected to Credit Unions.
- 5.15 Emma Watkins echoed the importance of tackling this issue. She noted the vital role for the private sector and the need to engage with long term business partners. She asked what Welsh Government would expect this to look like, so that social partners can go away and talk to anchor companies. She noted that businesses are concerned about welfare reform.
- 5.16 Iestyn Davies asked what Council members could practically do in support of this agenda, and what real changes can be made to ensure money is circulated to where it is needed. He mentioned the possibility of employees paying salaries into CFDIs. He also asked how we should ensure there are no unintended consequences associated with actions to tackle poverty and that important local, topical issues don't pull resources out of transformational schemes.
- 5.17 Paul Byard asked how much influence local authority Tackling Poverty Champions will have. He referred to European Programme activity, and opportunities linked to jobs allied to supply chains, for example in the manufacturing sector and asked how we could focus this activity to tackle poverty.
- 5.18 David Russ welcomed the cross-Government collaboration to tackle poverty. He noted the Childcare Start Up Scheme and how this is working to complement existing provision.
- 5.19 The Minister for Communities and Tackling Poverty thanked the Council for its comments and responded to the points raised. He confirmed his agreement with the points made by Jon Phillips in relation to the JRF report. He also confirmed that the Welsh Government is looking for additional support from

the private sector for the Jobs Growth Wales programme, where an additional 750 places are being made available for the Workless Household Programme. He stressed that this programme will only work in partnership with the private sector.

- 5.20 The Minister confirmed his agreement with Derek Walker's comments on the role of social enterprise. He noted that there will be a role for big employers and a need for the programme to provide a wide a range of opportunities for individuals. He commented that there has been excellent support from the retail sector, but that other sectors will also need to contribute. He noted that some Credit Unions are better than others, and that the aim is for these to grow and to be seen as a viable option for all, not just those living in poverty. He confirmed that he is a member of two Credit Unions.
- 5.21 He agreed that digital inclusion is critical to tackling poverty and noted the move to online claiming under Universal Credit. He referenced work to create facilities where individuals can learn about the use of IT and receive advice and support. He recognised the role of schools in tackling poverty and confirmed that he has close discussions with the Minister for Education and Skills on the overlap with formal education. He referred to support being made available through the Pupil Deprivation Grants and additional support from Communities First, which is working with schools and community groups.
- 5.22 The Minister confirmed that he would look into programmes such as the one supporting the Bristol pound and the promotion of entrepreneurship in schools. He stressed that the role of the private sector is crucial in taking forward the Action Plan and confirmed that Welsh Government would be looking towards anchor companies to provide some of the opportunities for the Workless Household Programme.
- 5.23 The Minister acknowledged the comment on unintended consequences. He agreed that the next round of Structural Funds programmes has a role. He noted that twenty percent of funding for the next round of EU programmes is being set aside to tackle poverty and that the Action Plan is seen as tangible support of this by the Commission.
- 5.24 The Deputy Minister for Tackling Poverty confirmed that local authority Tackling Poverty Champions are positive about the nature of engagement at a local level. He confirmed that a Framework has been launched on this, highlighting best practice areas. The Deputy Minister mentioned childcare, and noted that there are a range of challenges in relation to this issue, not just linked to poverty. He referred to the Early Years and Childcare Plan which is a ten year plan that looks at raising the quality of childcare. He confirmed that Childcare Sufficiency Assessments are being undertaken to identify current provision and gaps.
- 5.25 The Deputy Minister wants to see improvements in the number of places that meet the needs of parents and matches their patterns of work. He stated that the Welsh Government is looking at options to stimulate the market to create extra childcare businesses and promote flexible childcare options.

- 5.26 The First Minister thanked the Minister and Deputy Minister and asked the Council to take up any matters of detail directly with the Deputy Minister.

**6. Any other business**

- 6.1 Paul Byard suggested that the uncontrolled energy market should be included as an item at a future meeting. He noted that this is becoming a key area of concern for members and that if this issue was addressed we might see more businesses seeking to invest in Wales.

- 6.2 The First Minister confirmed his support to these comments, and noted that this issue is a particular concern for energy intensive businesses due to the lack of discount for bulk buying of energy.

**Action: Energy to be an agenda item for the February Council meeting.**

- 6.3 Paul Byard noted that there were a range of threats to business, but some industrial opportunities do exist. He asked what is being done to leverage these.

- 6.4 The Minister for Economy, Science and Transport noted that Dylan Jones Evans was working on the second stage of the access to finance report, and that this included meeting with the senior banks. She suggested that it might be timely for this item to be included on a Council agenda in order to discuss the issues raised and comments being made around the lending agenda.

- 6.5 Iestyn Davies agreed that energy is a topical issue at present, and also welcomed the opportunity to receive an update on the access to finance work. He suggested that perhaps representatives from the British Bankers Association and OffGEM should be invited to the Council to answer questions around these issues.

- 6.6 Richard Jenkins questioned the use of planning as an economic tool in Wales and noted that existing planning regulations favour large volume house builders. He asked what could be done through planning to support smaller developers and through the provision of business support to get them into the housing market. He commented that most large home building companies are located outside Wales.

- 6.7 The First Minister noted these comments and suggested that planning should be included as an agenda item for a Council meeting. This should include discussion around the Planning Reform Bill and associated guidance.

- 6.8 David Morgan commented he hoped that the Planning Bill will support retail sector development.

- 6.9 David Russ confirmed his support to including discussions around energy and access to finance to a meeting. He noted that documents are about to be signed for the Start Up Loan Scheme and that this will soon be operating in Wales.

- 6.10 Robert Lloyd Griffiths suggested that the Council should issue communications after meetings to publicise agreement on key issues that the Council has signed up to. He noted that due to the timing of receipt of papers for meetings it is difficult for Members to canvas the views of members of their stakeholder groups. He suggested that if papers were received earlier these views could be sought and fed into Council discussions.
- 6.11 The First Minister agreed to request that papers are circulated to Members 28 days before meetings, except in exceptional circumstances.  
**Action: Papers to be circulated 28 days before Council meetings.**
- 6.12 Iestyn Davies noted that the Secretary State Business Advisory Group is meeting next week and confirmed that he would relay a clear message that there is a consensus in Wales on devolution.
- 6.13 Martin Mansfield confirmed that he also meets with UK Government and would raise the issue of devolved powers. He noted the suggestion to issue communications following Council meetings, and agreed that this would be important but only if the Council has something important to communicate.
- 6.14 Richard Jenkins cited the recent ESTYN report on training in construction and the low number of females employed in construction both at the front line (1%) and in a professional capacity (9%). He also noted that career guidance signposts 'less able' into the construction sector, and that this guidance should be reviewed.
- 6.15 The First Minister suggested that these concerns should be put down on paper for the Council to review.
- 6.16 The Minister for Economy, Science and Transport suggested that these issues should be looked at and noted that this should be taken forward with the Department for Education and Skills and the Deputy Minister for Skills.
- 6.17 The First Minister thanked everyone for attending and closed the meeting.