

## **Review of the Implementation of the Business Scheme**

### **Introduction**

The Welsh Assembly Government is committed to engaging with stakeholders across the length and breadth of Wales. With challenging times ahead, engaging with the citizens of Wales, our customers, stakeholders and colleagues, has never been more important.

The Government of Wales Act 1998 placed upon the Welsh Assembly Government a statutory duty to consult business where the exercise of its functions impact upon business. This duty to consult was strengthened by the Government of Wales Act 2006, which required Welsh Ministers to make a Business Scheme setting out how they proposed to consult with business.

The Business Scheme was drafted after extensive consultation with Business Wales and the Wales TUC. With Cabinet agreement, the Business Scheme was published in 2008. The guiding principle, set out in the Business Scheme, is that business (including the trade unions and social enterprise) should be involved in policy formulation at the earliest possible opportunity. The recently established Council for Economic Renewal builds on the success of the former Business Partnership Council in providing further opportunity for employer and employee voices to be heard at the heart of government. In this context, and in line with the requirements of the Business Scheme, the new Council determined on 1 December 2010 that a review of the implementation of the Business Scheme should now take place in order to learn lessons and to explore ways to strengthen these important relationships.

### **Approach**

There already exists a body of formal and informal feedback from business and other stakeholders on the effectiveness of partnership arrangements, linked to the Business Partnership Council and to the recent series of Economic Summits. The merits of the Business Scheme were discussed at the inaugural Council for

Economic Renewal meeting held in December 2010. This Review now focuses upon the effectiveness of the implementation of the Business Scheme, rather than its underlying principles, which social partner feedback confirms as generally being sound.

The approach taken has been to review feedback already received, seek further input from external stakeholders and explore internally with departmental leads the implementation of the Business Scheme to date. The outcome of this work is covered in the following sections.

## **Implementation and Current Issues**

The Government of Wales Act 2006 introduced the need for Welsh Ministers to prepare and adopt a Business Scheme setting out how they planned to engage with the business community on matters that affect their interests. Prior to the introduction of the Scheme there had been three principal mechanisms through which the Welsh Assembly Government had engaged with the business community on such matters: through formal consultations linked to policy proposals, via Ministerial bi-lateral meetings and through the mechanism of the Business Partnership Council. It is important to note, in reviewing the effectiveness of the Business Scheme, that its introduction did not replace any of these consultative mechanisms.

The Business Scheme focuses on four broad areas. They are firstly the principles of partnership and policy development (including consultation); secondly, the operation of a Business Partnership Council (now known as the Council for Economic Renewal); thirdly, Regulatory Impact Assessments (RIA), and finally keeping the Business Scheme under regular review. The following sections of the Review focus upon each of these four areas in terms of their implementation.

## Partnership and Policy Development

There is a clear correlation between good policy outcomes and early and pro-active stakeholder engagement, particularly when such engagement occurs in the early stages of the policy development process. Such engagement allows policies to be informed and shaped by those upon whom their impact is likely to be felt. It also provides the opportunity to involve and empower others in the policy making process and can result in more innovative approaches (e.g ProACT).

The Business Scheme enshrines and builds upon this key principle. There is therefore continued and widespread agreement that the focus of the Scheme remains correct. However, critical to improving continued engagement and partnership is ensuring that the Business Scheme is appropriately and effectively implemented by all of the Welsh Assembly Government, not just the Department for the Economy and Transport. This requirement is consistent with and indeed vital to fulfilling the whole Government approach that underpins Economic Renewal.

In general terms, feedback from stakeholders has reflected genuine concern that the Business Scheme has not been as effectively implemented as it might have been across all Welsh Assembly Government Departments. This in turn reflects a reported lack of early business engagement in policy-making by some Departments.

Stakeholders do not believe that all key policy makers within the Welsh Assembly Government properly understand the requirements of the Business Scheme nor do they adequately take into account the impact of policy-making on business interests. This is a particularly important consideration for the legislative and regulatory programme, where understanding the full consequences and impact of policies (both individually and cumulatively) on business will be critical for a better performing economy.

Business stakeholders have cited examples where policies have been taken forward which could have benefitted from stakeholder engagement which would have ensured better recognition of the impact on business. In particular stakeholders are

keen to avoid situations where business and the trade unions are unsighted on policy announcements that impact upon them.

Whilst there is certainly room for improvement in terms of embedding the implementation of the principles of the Business Scheme more consistently and effectively across all departments, there have, during the two years since the Business Scheme was first adopted, been some very positive examples of consultation and partnership working.

The Business Scheme came into being just as the full force of the recession was beginning to hit the Welsh economy. In response the Assembly Government was swift in bringing together Government, business and other stakeholders through the All-Wales Economic Summits to tackle the immediate impact of the recession and deliver the successful formulation and development of policies such as ProACT.

Indeed, the partnership working and policy development which took place in Wales during the global recession must be taken into account in reviewing the implementation of the Business Scheme.

The Economic Summits ran from autumn 2008 until spring 2010 and developed policies and actions that supported business and communities through the downturn. The Economic Summits meant that, in practice, business was more exposed to and had greater opportunity to engage Ministers from across all Assembly Government Departments than at any time before. Through the Summit process the Assembly Government went beyond that envisaged in the Business Scheme in providing business (and other stakeholders) with a partnership model of working and real-time input into policy-making across Government.

This level of interaction, openness and accessibility of Welsh Ministers is something upon which the Welsh Assembly Government wishes to build – ensuring that the Business Scheme is effectively implemented is an important part of that aspiration.

It is clear that more needs to be done to raise policy makers' awareness and to embed the principles of the Business Scheme more consistently and effectively

across all Departments. This work has already begun as part of a wider initiative already underway across the Welsh Assembly Government, to improve the competence of policy-makers and the effectiveness of policy-making processes. There are clear opportunities to raise further the profile of the Scheme and the importance of the approach that it advocates, as part of ongoing work aimed at enhancing the effectiveness of those members of staff identified as being part of the policy profession.

### Business Partnership Council

A consequence of the Economic Summit process was the temporary suspension of the former Business Partnership Council (BPC) whose function is now continued and strengthened by the Council for Economic Renewal.

Re-invigorating the former BPC model of engagement is a key Economic Renewal commitment. This commitment in large part reflects the views articulated by business and trade union stakeholders that the Economic Summit model, so effective in marshalling a unique Welsh response during the recession, had in essence run its course. There was a collective view for a return to the former BPC model of engagement. However, it was also clear that continuing with previous BPC arrangements was not sufficient. The request was clear – that the Assembly Government needed to learn lessons and adopt best-practice from the Economic Summits and develop a more meaningful level of engagement than previous BPC arrangements could offer.

Alongside this, the Assembly Government was itself committed to building upon the culture and approach of early-stage engagement in the policy-making process that was a feature in the development of Economic Renewal. This means strengthening and developing a more meaningful engagement with business – and this has in part been addressed by the establishment of the Council for Economic Renewal and its associated working group (as a replacement and successor to the previous Business Partnership Council).

The Council for Economic Renewal aims to build upon the best elements of the former BPC, the lessons learned from the Economic Summits such as the importance of an action-orientated approach, and provides a way of working for a better, more effective and strategic engagement.

### Regulatory Impact Assessments (RIA)

A key issue for stakeholders, increasingly being brought into sharp focus by the legislative programme is the need for the Assembly Government to fully understand the impact and costs of its regulatory and legislative proposals at a sufficiently early stage. The Assembly Government recognises that more needs to be done to assess the impact upon business of specific proposals and that the assessment process must offer a robust challenge on the economic impacts.

These concerns will in part be addressed by better early stage business engagement in the policy-making process as part of continuously improving Assembly Government processes, for example through identifying and addressing the cumulative impact of individual regulations. This requires more joined-up working within and outside the Assembly Government.

### Future Review of the Business Scheme

A requirement of the Business Scheme is that it should be subject to review. Regular review is also good practice. Under the provisions of the Business Scheme the Review should have taken place during 2010, however it was delayed whilst the former Economic Summit process was wound up and arrangements set in train for the new Council for Economic Renewal. The Assembly Government commits to undertake a further formal Review of the Business Scheme (covering both its impact and implementation) by April 2013.

## Going Forward

This Review has focussed on issues of implementation rather than the general principles of the Business Scheme. Clearly, there have been some concerns about the way in which the Business Scheme has been implemented and specifically the degree of consistency to which it has been adhered. Many of these concerns are recognised by the Assembly Government, and as described in the preceding section, steps are underway to address those concerns.

Moreover, as a consequence of the organisational change recently undertaken within the Department for the Economy and Transport, a senior official is being recruited to undertake an important role as Head of Stakeholder engagement. This function will provide a vital interface between the Department and stakeholders, both internal and external.

In addition, at the first meeting of the Council for Economic Renewal, the First Minister agreed with business and trade union stakeholders a number of points which will have a direct and important impact on the implementation of the Business Scheme going forward. These are:-

- A re-affirmation of all parties to work together on policy development affecting business and the economy, whilst recognising that the final policy decisions are the responsibility of Welsh Ministers.
- An unequivocal commitment to the spirit of s75 of the Government of Wales Act 2006 and the implementation of the Business Scheme.
- Confirmation of the role of the Wales Social Partners Unit in working with Assembly Government Departments and business organisations in order to facilitate implementation of the Business Scheme.
- Agreement to ensure all legislative and regulatory proposals has comprehensive RIAs prepared at an early stage in policy development, and

where information is required from business, that business organisations commit to assisting in their preparation.

- That at least once a year each Welsh Minister reports to the Council for Economic Renewal on the operation of the Business Scheme within their Department. (As set out in the Business Scheme in relation to the former BPC).
- Assurance 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.

## **Conclusion**

The Welsh Assembly Government remains committed to the principle of early-stage engagement in the policy-making process and to the effective implementation of the Business Scheme. In acknowledging that the implementation of the Business Scheme across all Departments has been less than consistent and its outcomes mixed, the impact of the recession and of the unique arrangements brought into being as a result of the Economic Summits, including the suspension of Business Partnership Council arrangements has meant that the Business Scheme had not been given an opportunity to fully establish itself.

The unique consultative arrangements put into place, in response to the economic recession and linked to the Economic Summits resulted in closer and more timely policy-making engagement between Ministers and the Business Community. However there is now a need to ensure that the value of early stakeholder engagement, evidenced in the development of initiatives such as ProAct, becomes properly embedded in future business partnership arrangements through the spreading of best practice messages and through the implementation of revised guidance and procedures.



With the end of the Economic Summits, the establishment of a strengthened business partnership body in the form of the Council for Economic Renewal, there is now a real and genuine opportunity to deliver on the principles of the Business Scheme. All of this is underpinned by the whole Government approach to Economic Renewal and its commitment to continuing partnership and developing further early-stage engagement in the policy-making process.

The Welsh Assembly Government is determined to build upon the lessons learnt from the Economic Summits, and the very clear messages from business and others about how a more constructive and effective engagement needs to evolve. In this context the actions already being undertaken and highlighted in this Review, alongside the recommendations going forward will help to ensure the consistent and effective implementation of the Business Scheme across the Welsh Assembly Government and the strong and effective dialogue which we all desire.

**END**