

Minutes of the Council for Economic Renewal

Date: Wednesday 29 February 2012

Venue: Ty Hywel, Cardiff Bay

Time: 10:30 – 12.30

In attendance:

Ministers

First Minister

Minister for Business, Enterprise, Technology and Science

Minister for Finance and Leader of the House (part)

Stakeholders

Lis Burnett, Welsh Social Enterprise Coalition

Paul Byard, Engineering Employers Forum

Julie Cook, Wales TUC

Ben Cottam, Chair of Business Wales

Iestyn Davies, FSB

Heather Eason, WSPU

Richard Houdmont, CIM

Alex Jackman, Forum of Private Business

Leighton Jenkins, CBI

Richard Jenkins, FMB

Mark Judd, WSPU

Nigel Keane, WSPU

David Lermon, ICAEW

Robert Lloyd Griffiths, IoD

Bob Macey, IoD (except agenda items 6 and 7)

Martin Mansfield, Wales TUC

David Morgan, RICS

Lowri Morgan, The Law Society

Nick Payne, Road Haulage Association

Richard Price, Home Builders Federation

David Russ, Chamber Wales

Derek Walker, Wales Coop

Emma Watkins, CBI

Welsh Government Special Advisors and Officials

Jeff Andrews (part)

Andrew Bold

Tracey Burke

Jeff Collins

Gerry Holtham (part)

Andrew Jeffrey (part)

James Price

Jonathan Price

Emyr Roberts

Nick Sullivan

Alison Standfast

David Warren
Steffan Wiliam (translator)

Apologies

John Bennett, Welsh Social Enterprise Coalition
Ian Gallagher, Freight Transport Association
Peter Hughes, CML
Mary James, NFU
Graham Morgan, Chamber Wales
Phil Orford, Forum of Private Business
Non Rhys, FSB
Huw Thomas, NFU

Item 1: Introductions and Opening Remarks

1. This agenda item was led by the First Minister.
 - 1.1. The First Minister welcomed attendees to this Council for Economic Renewal Meeting. He introduced the items on the agenda and reminded attendees that this meeting is an opportunity to discuss the challenges that we face.

Item 2: Notes and Action from meeting held on 9 November 2011

2. This agenda item was led by the First Minister. The notes of the meeting had been included in the meeting papers.
 - 2.1. The First Minister referred to the notes of the previous meeting held on 9 November 2011. He referred to the action points; confirming that action 1 has been completed and three other actions were to be discussed by the working group.
 - 2.2. The meeting attendees confirmed that they were content with the minutes.

Item 3: Procurement

3. This agenda item was led by the Minister for Finance and Leader of the House. A paper on community benefits through procurement had been included in the meeting papers.
 - 3.1. The Minister for Finance and Leader of House introduced the procurement update paper. She confirmed that the Welsh Government's Community Benefits policy has now been applied to £3.4bn of contracts ranging from £5m to £300m.
 - 3.2. The Minister referred to the annex of her paper which set out that six of these projects worth £146m had been tracked using the new measurement tool. This revealed that £56m went directly in salaries

to Welsh citizens, and £68m was spent with Wales based businesses of which 82% were Welsh SMEs. The Minister also referred to the 140 disadvantaged people who received work experience and the apprentices who received training as a result of this.

- 3.3. The Minister made reference to the oral statement that she gave in plenary on 21 February 2012.
- 3.4. It was set out by the Minister that this evidence demonstrates that the policy delivers great results for local communities and represents a real return on investment. She informed attendees that jobs have been protected and created through this policy.
- 3.5. The Minister said that this policy is being taken up by industry and made reference to the Neath Port Talbot distributor road in which the local authority took the lead role in embedding the community benefits policy.
- 3.6. The Minister then reported that the procurement policy is making a positive difference for the economy and communities. It was said that in particular, the approach had helped limit job losses in construction in Wales. In 2011, job losses in Wales stood at 0.4% compared to 15% in other parts of the UK. Moreover, overall approach to procurement policy has resulted in 52% going to Wales based suppliers.
- 3.7. It was announced by the Minister that she had asked John McCelland to undertake a review into maximising the impact of public procurement policy. She invited members of the Council for Economic Renewal to contribute to the review which will be completed by the Summer Recess.
- 3.8. The Minister closed her opening remarks by identifying that the approach in Wales has attracted significant interest. This included a forthcoming programme on Radio 4 which will examine the Welsh approach to community benefits.
- 3.9. Martin Mansfield then said that he felt that more activity was needed on the core approach to ensure delivery. He felt that an important aspect is work with contractors to ensure longer term employment. Government procurement should look beyond solely the purchase of goods and services in the contract and regard it also as the 'purchase' of jobs and training in the Welsh economy.
- 3.10. The Minister responded by saying that she felt that the core approach needs to be driven by the Welsh Government. There is significant interest in what core and non-core community benefits can deliver. The Minister added that the list of six projects featured

among many more and made reference to the Neath Port Talbot distributor road and the new school development in Abercynon. She added that it had been reported to her that many employers are finding the Value Wales measurement tool useful to track job creation, local employment and future jobs and as more contractors used this and completed projects more data would become available.

ACTION

The Minister for Finance and Leader of the House to share more project examples with the Group as and when data becomes available.

- 3.11. Richard Jenkins then raised the issue of 'Wales based businesses' and said that all too often businesses are Welsh based but are not indigenous to Wales. He felt that this meant there is a danger of creating a culture of major sub-contractors in Wales. He also made reference to the fact that there is no tier 1 business in Wales.
- 3.12. The Minister responded by identifying the importance of supply chains and that at a recent event in Neath Port Talbot, 92 local suppliers had attended an event. She added that working with the Minister for Business, Enterprise, Technology and Science is key in this area and that we need a clear definition of 'Welsh based businesses'.
- 3.13. Iestyn Davies said that he felt that the Minister's report on procurement was very good news although he expressed some concern that the preponderance of examples come from South Wales. He asked whether we can identify good practice that we can share and disseminate.
- 3.14. The Minister thanked Iestyn for his response. She agreed that there is a need to disseminate good practice and made reference to a number of future training events. She also made reference to her recent 'lessons learned' paper which looks at different practice examples in different parts of Wales. Finally the Minister made reference to an event on 14 June where good practice would be showcased and stated that all members would be invited.

ACTION

Invitations to the conference on 14 June 2012 to be sent to all members of the Council.

Item 4: The Wales Infrastructure Investment Plan

4. This agenda item was introduced by the First Minister and led by the Minister for Finance and Leader of the House. A paper on the Wales Infrastructure Investment Plan had been included in the meeting papers.
 - 4.1. The First Minister introduced this item by saying that the Wales Infrastructure Plan is essential and will be prioritised towards delivering the maximum benefits for Wales. He expressed his delight that Gerry Holtham has been able to be an advisor on the development of this plan and he welcomed him to this meeting
 - 4.2. The Minister for Finance and Leader of the House then led this agenda item and said that infrastructure investment is vital to Wales because of the stimulus that it provide as well as increasing growth in the longer term.
 - 4.3. She informed members that almost £100m of revenue had been switched into capital investment despite cuts imposed by the UK Government. This has meant, for example, that an extra £22.6m has been allocated to fund new social housing which will deliver more than 200 additional homes.
 - 4.4. She also reported that infrastructure investment is particularly important to the construction sector and recent data has shown that employment in construction in Wales is holding up with only a very small reduction in 2011 compared to larger falls elsewhere. As a result, there is evidence that the approach in Wales is having a positive impact.
 - 4.5. However, the Minister added that more is needed to be done. She said that she felt that increasingly limited resources need to be focussed on key strategic priorities. That we need to lever more funding into the public sector infrastructure investment and that it is important the we drive better value for money from the money we invest. Finally she added that we need to make better use of our assets driven by innovative procurement policy and community benefits approach to support the delivery of wider economic and social benefits.
 - 4.6. The Minister said that she intends to publish a first version of the Wales Infrastructure Plan on 22 May 2012. In addition to this, Gerry Holtham will be engaging with many of you directly. The Minister said that there are a number of questions that she is seeking views on:
 - What do you see as the most pressing infrastructure issues in Wales at present?
 - How can the public, private and third sectors work together better on areas on national importance?

- What level of information on pipeline investments should we be publishing to be most useful to assist the private sector?
- 4.7. At this point, the Minister invited Gerry Holtham to say a few words. He began by saying that the context of this work is well known. It is difficult with lower budgets and that this is unlikely to change in the next 5-10 years. Therefore, there is a need to find new sources of finance and to open our minds to new sources of finance that were previously unnecessary and focus on areas that are important.
- 4.8. This will mean that resources may need to be used across government departments supported by a well oiled external sector to make investments that promote employment and economic development.
- 4.9. Paul Byard said that he felt that enterprise zones were important in terms of getting a return on investment.
- 4.10. Emma Watkins added that CBI Wales welcomed the plan, particularly the ten-year strategic view. In terms of infrastructure CBI Wales has identified the M4 as the key priority. She added that she is interested in sharing ideas around innovation and that emphasis should be economic concerns rather than political or geographical ones.
- 4.11. Ben Cottam added that transport infrastructure regularly features as an infrastructure priority. He said that he would be interested to know in what ways the sector panels would be targeted to identify priorities. Finally he added that the ACCA report on PFI/PPP around the world may provide some learning and David Morgan added that RICS had also produced some work on PFI/PPP.
- 4.12. The Minister said that there is a need to ensure that the plan is geared towards the whole of the Welsh economy. She agreed that enterprise zones are key to this. She argued that this plan will offer clarity to the private sector on the Welsh Government's medium and longer term objectives. She acknowledged that there will be tensions and that the Welsh Government has already set out its priorities on social investment. She said that there is no question that the M4 is important and that the UK Government Chancellor had already indicated an interest in this.
- 4.13. The Minister then raised the issue of borrowing. She said that discussions are ongoing with the UK Government and that recently, the Minister for Local Government and Communities issued a statement on local government borrowing for highways stating that this could lever in £170m over the next three years.

- 4.14. Gerry Holtham was then invited to respond and said that the Treasury do not allow the Welsh Government to borrow at all at the moment. He added that he is keen to look at ways of accessing concessionary finance and this may be through local authorities or housing associations as examples. He also said that Wales is in a fortunate position in terms of the fact that it does not have a long list of liabilities.
- 4.15. The Minister for Business, Enterprise, Technology and Science then responded to the points raised. She said that there had been good discussions with the Minister for Local Government and Communities on transport infrastructure but that it was also important to be mindful of others forms such as broadband and education and training.
- 4.16. She reminded the Council that the sector panels have access to government papers and are currently interested in contributing to the planning review, enterprise zones and wider infrastructure.
- 4.17. She added that she felt that the Plan should focus on the hard transport issues facing Wales and that there is a need to maximise resources for employment.
- 4.18. The First Minister continued this point by stating that it is unlikely that the M4 relief road around Newport will be constructed in the next few years. He added that there are other areas of concern including the section of the M4 in Port Talbot. However, he added that major road infrastructure will not happen without the borrowing powers that Scotland is seeking and that already exist in Northern Ireland.
- 4.19. Iestyn Davies responded to the Ministers comments by saying that he felt that the Welsh Government's hands were tied with the Treasury and that his organisations will reflect this in their responses to Westminster.
- 4.20. The First Minister responded by saying that we need to be prudent with borrowing. He added that Wales is at a risk of severe disadvantage if we do not have the same borrowing powers as other nations.
- 4.21. The Minister for Finance and Leader of House then left the meeting.

Item 5: Sector Panels – Update

5. This agenda item was led by the Minister for Business, Enterprise, Technology and Science. A paper on Sector Panel Plans had been included in the meeting papers.

- 5.1. The Minister reported that the sector panels are working well and that they have taken an interest in many matters of business. She said that she had received good advice.
- 5.2. She reported that she has held a range of discussions with the panels and was pleased that two of the chairs have also agreed to lead on enterprise zones panels. . She also said that she has asked the panels to look at some specific areas but also challenged them to bring key issues to her attention.
- 5.3. In addition to the update paper provided, the Minister then briefly updated the Council on the sector panels' work.
- 5.4. The First Minister then reported to the Council that the Welsh Government was on the verge of opening a new London office. There has been criticism that there is no trade and investment office in London and he felt that this office will give us a useful presence.
- 5.5. Ben Cottam said that there is a feeling that the sector panels and business could be brought closer together. He asked whether there was a way to bring the Council for Economic Renewal and the sector panels closer together perhaps through regular meetings. Alex Jackman said that he felt remote from the panels and that feedback had not been received.
- 5.6. Richard Jenkins explained that his dealings with the Construction Sector Panel had been very positive and that through partnership he was able to feed into this panel.
- 5.7. Lowri Morgan asked whether the legal community in London are being engaged.
- 5.8. Martin Mansfield referred to enterprise zones and expressed concern at the possibility of the public appointments process being used.
- 5.9. The Minister for Business, Enterprise, Technology and Science responded by reminding the Council that the purpose of the sector panels is to advise her.
- 5.10. The Minister went on to say that with the Advanced Materials and Manufacturing Sector Panel there is no distance between that panel and businesses of different sizes. She then queried whether the issue may actually be access to the sector panels through officials and offered to examine this issue.
- 5.11. The Minister added that she is prioritising legal contacts and in a response to Martin Mansfield said that a partnership approach with clear priorities is the way forward and not the public appointments approach.

- 5.12. The Minister also took the opportunity to remind the Council that the Business Rate Review Group is expected to issue its report in March.

ACTION

The Minister for Business, Enterprise, Technology and Science will examine the contact that is made through officials to the sector panels.

ACTION

The Minister for Business, Enterprise, Technology and Science offered to advise sector panel chairs that Council for Economic Renewal Members are happy to meet them.

ACTION

The Minister for Business, Enterprise, Technology and Science agreed she will circulate an update note to the Council when the Sector Plans are fully formed. .

- 5.13. Bob Macey, IoD left the meeting at this stage due a conflict of interest within the next agenda item.

Item 6: Priorities for the Welsh Economy – Social Partners Paper

6. This agenda item was introduced by the First Minister and then led by Ben Cottam, Business Wales. A paper on priorities for an improved Welsh economy prepared by Business Wales had been included in the meeting papers.
- 6.1. The First Minister opened this item by welcoming this paper and stating that it is important that we work together to create business confidence and drive forward economic recovery.
- 6.2. He said that he was examining closer working with UKTI and that an invitation is to be issued to Lord Green to attend the Council for Economic Renewal to discuss what they can do for Wales.
- 6.3. He continued to say that he is currently examining the value and effectiveness of Welsh Government offices abroad and looking more broadly at how this presence can be strengthened.
- 6.4. Ben Cottam was then invited to introduce his paper. He informed the meeting that the paper was developed from conversations in Business Wales on thematic issues for business in Wales. The

paper suggests priority areas for consideration. He added that business recognises its role in acting on these.

- 6.5. He added that he was very interested to hear the First Minister's comments on UKTI. He also expressed concern at the Welsh Select Affairs Committee Report and indicated his agreement with some of their concerns about branding. He finished by asking whether the Welsh Government recognise the areas identified for priority and suggested consideration of an annual appraisal of these.
- 6.6. The First Minister responded by saying that he felt that the paper could be considered further and in more detail at the working group.
- 6.7. The Minister for Business, Enterprise, Technology and Science said that the Wales Economic Growth Fund had supported 41 applications safeguarding 1200 jobs. She added that she would be announcing the doubling of the Fund and went on to say that she felt Finance Wales could be a useful tool in generating resources for the economy. She informed the Council about the recent Micro-Business report and that the City Regions work is continuing. She added that there will be an announcement on broadband in the next few weeks.
- 6.8. The Minister also identified that the emphasis on training in the paper is key. She also said that there is an issue about branding and it also includes how we market Wales through tourism too and was considering whether a Team Wales approach is needed.

ACTION

It was agreed that the working group will consider the paper further.

- 6.9. Richard Price said that the NewBuy Scheme has been launched in England for first time buyers. He asked whether this was being considered in Wales. He added that he has concerns with the planning system and that it is failing to deliver on-time. He reported that house builders are laying off staff because they cannot get sites. He expressed hope that the planning review and future legislation can address this.
- 6.10. Julie Cook said that she would like to see an emphasis on the positive benefits of green workspaces. She referred to a brewery in Magor which had made environmental and economic savings.
- 6.11. She added that in terms of skills, responsibility for improving skills does rest with businesses but recognising that there is a need for accredited transferable skills.

- 6.12. Martin Mansfield added that he welcomed the paper from Business Wales. He added that although there may be some differences in the prioritisation, it is a good idea to focus on this further in the working group.
- 6.13. Emma Watkins set out the CBI Wales view. She said that with planning review and creation of a single environmental body, it is time to recast their relationship with business. She added more widely that there is a need to ensure Wales as a business friendly country.
- 6.14. The First Minister responded by saying that he takes the points made on-board. In terms of responding to the points made, he confirmed that the Welsh Government is looking at the effectiveness of the NewBuy Scheme. He also identified that the Planning Bill is in development and that Council members should consider what should be in this legislation. Although he reminded the Council that the Welsh Government does not have the devolved powers to influence and changes Section 106 agreements. He acknowledged that legislation may offer an opportunity to ensure that local authorities develop Local Development Plans.
- 6.15. He went on to add that he recognised that eco-regeneration can save money for businesses. He added that the single environmental body can help through the provision of streamlined and consistent advice meaning for example, that a large planning application can be considered by one organisation. The Minister for Business, Enterprise, Technology and Science added that her department will be hosting seminars to seek views on planning which will be hosted by Peter Davies.
- 6.16. The Minister for Business, Enterprise, Technology and Science went on to address the point around ensuring that Wales is a business friendly country. She reported that anchor companies are working well in Wales and have an aim to promote Wales as business friendly and that this should give confidence to business.
- 6.17. The First Minister concluded this agenda item by reminding the Council that recognition is also needed that any changes to the planning system in Wales cannot lead to a situation where the system here is dramatically different to other parts of the United Kingdom. There is a risk that doing so could disincentivise businesses from coming to Wales.

Item 7: Any Other Business

7. This agenda item was led by the First Minister.
 - 7.1. The First Minister introduced this item by reminding the Council that there were two papers to note.

- 7.2. As there was no other business, he thanked members for their attendance.
- 7.3. The next meetings of the Council will be held on:
 - Wednesday 13 June 2012
 - Monday 24 September 2012
 - Monday 28 January 2013
- 7.4. The meeting was closed.