

**2017 REVIEW OF THE IMPLEMENTATION AND  
IMPACT OF THE**

**WELSH MINISTERS' BUSINESS SCHEME**

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## **Review of the Implementation and Impact of the Welsh Ministers' Business Scheme**

### **Summary of Recommendations**

**Recommendation 1:** Strengthen reference to the Business Scheme in the Welsh Government's policy, impact assessment and engagement guidance for staff and consider opportunities for promoting the guidance across the Welsh Government.

**Recommendation 2:** Ask the Social Partners Strategy Group to consider the role and purpose of social partnership and make recommendations on the same.

**Recommendation 3:** Consider the opportunities to further promote the Business Scheme within Welsh Government including the work by organisations delivering services to facilitate engagement between the Welsh Government and Social Partners.

**Recommendation 4:** The provider of services to facilitate engagement between the Welsh Government and the Social Partners produces an Annual Report to the Council for Economic Development on its activities to facilitate engagement.

**Recommendation 5:** Use the Welsh Government's policy and legislation guidance to promote the role of the provider of business engagement services between the Welsh Government and the Social Partners.

**Recommendation 6:** The provider of services to facilitate engagement between business engagement services to the Welsh Government develops relationships with the Welsh Government lead officials to facilitate early-stage engagement on policies that affect business.

**Recommendation 7:** Social Partners Strategy Group to consider the merit and means of possible qualitative indicators to measure the Business Scheme.

**Recommendation 8:** Consider assessment of the impacts on Social Partners (both positive and negative) of legislation, regulation and policy as part of the implementation of the Well-Being of Future Generations Act.

## **Introduction**

1. This report sets out the outcome of the 2017 review of the implementation of the Welsh Ministers' Business Scheme (Business Scheme)<sup>1</sup>.
2. The Terms of Reference for the review were to:
  - i. examine the application of the Business Scheme to date; and
  - ii. examine how effective the implementation of the Business Scheme is across the Welsh Government.
3. The terms of reference were presented to the Council for Economic Development meeting on 19 July 2017<sup>2</sup>.

## **Background**

4. The Welsh Ministers' Business Scheme is made under section 75 of the Government of Wales Act 2006<sup>3</sup>, which requires the Welsh Ministers to make a scheme setting out how they propose, in the exercise of their functions, to take account of the interests of business<sup>4</sup>. The First Minister has overall responsibility within the Welsh Government for the Business Scheme.
5. The guiding principle of the Business Scheme is Social Partners should be involved in policy formulation at the earliest opportunity.
6. Under the Business Scheme, lead officials within the Welsh Government are responsible for engaging with Social Partners to promote and develop a mutual understanding of how each operates.
7. The Business Scheme includes the requirement for the Welsh Ministers to publish a report, at intervals of not more than two years, detailing how the proposals set out in the Business Scheme have been implemented.
8. The Council for Economic Development agreed changes to the Scheme at its meeting on 26 January 2017:

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<sup>1</sup> <http://gov.wales/topics/businessandconomy/welsh-economy/economiccouncil/?lang=en>

<sup>2</sup> Paper to Note 2 <http://gov.wales/docs/det/meetings/170719-cfed-paper-to-note-2-en.pdf>

<sup>3</sup> [www.legislation.gov.uk/ukpga/2006/32/contents](http://www.legislation.gov.uk/ukpga/2006/32/contents)

<sup>4</sup> The term 'business' includes all individuals and corporate bodies that carry out a business with the aim of generating a profit including those operating in the social enterprise sector and those associations that represent such individuals and corporate bodies; and those organisations that represent individuals that participate in the creation of that profit, including trade unions.

- i. the change in name from the Council for Economic Renewal to the Council for Economic Development; and
- ii. the establishment of a formal link between the Council and the Wales Employment and Skills Board (WESB) to include the Chair of WESB being invited to become a member of the Council.

## **Methodology**

9. Evidence for the review was collected through a questionnaire circulated to senior officials across Welsh Government and through the Wales Social Partners Unit, to Social Partners.
10. Responses were received from three of the Social Partners: the Federation of Small Businesses (FSB), the Institute of Chartered Accountants in England and Wales (ICAEW) and the Wales Co-operative Centre. Responses were also received from the five Welsh Government Divisions (Health and Social Services, Skills Employability and EU Funding, Local Government, Transport and Welsh Treasury).
11. Summaries of the responses to the questions are set out in the following sections.

### **Question 1: How effective is the Welsh Government in considering the interests of business in its work and decision making?**

**Summary: There are examples of the Welsh Government considering the interests of business in its decision making and working with Social Partners. However, there is a need for early engagement and to improve consistency across the organisation.**

12. Social Partners recognised that the Welsh Government seeks to consider the interests of business in its work and decision making. However, performance was felt to vary considerably between areas of good practice and those where there is significant room for improvement. The economy and transport portfolio is generally regarded as a good example. Specific examples of good practice included:
  - i. the involvement of Social Partners on a variety of Welsh Government advisory bodies and groups who operate across portfolios; and
  - ii. the contribution of business in shaping the development of Welsh tax policy and associated advice.
13. Social partners, however, felt an opportunity was missed by the Welsh Government for more proactive engagement in developing the National Strategy 'Prosperity for All'. In addition, the social partner group set up to provide advice on EU exit issues

offers further potential to be more proactive in policy development in an important area of policy.

14. From a Welsh Government perspective, whilst significant steps have been undertaken to foster meaningful social partner engagement in policy-making, officials acknowledged that more could be done. In particular, there is room to improve consistency in the way these issues are approached across the Welsh Government, in addition to responding to social partner concerns for engagement to be undertaken at a sufficiently early stage in the policy-making process.

**Recommendation 1: Strengthen reference to the Business Scheme in the Welsh Government's policy, impact assessment and engagement guidance for staff and consider opportunities for promoting the guidance across the Welsh Government.**

**Question 2: How effective is partnership working between the Welsh Government and Social Partners?**

**Summary: There are examples of effective partnership working, but more can be done to improve transparency, frequency and effectiveness of social partner engagement.**

15. There are several instances of partnership working with Social Partners across the Welsh Government. This partnership working has recently been strengthened with changes to the operation of the Council for Economic Development and the establishment of the Social Partners Strategy Group. However, more can be done to improve the transparency, frequency and effectiveness of social partner engagement outside of these formal structures.
16. One respondent acknowledged the role of the services currently provided by the Wales Social Partners Unit in helping to facilitate effective communication between interested parties and providing information about Welsh Government policy and consultation opportunities.
17. Social Partners felt that further work is required to improve the understanding of the capacity of Social Partners to respond to the volume of policy consultations. It was also felt that all sides may benefit from a clear and agreed understanding of the role and purpose of social partnership.

**Recommendation 2: Ask the Social Partners Strategy Group to consider the role and purpose of Social Partnership and make recommendations on the same.**

**Question 3: How is the impact on business effectively considered in policy development?**

**Summary: There are some good examples of the Welsh Government engaging business in developing policy. However there is a need for greater clarity and consistency in the approach to impact assessment across the organisation.**

18. Several examples were highlighted of how policy areas engage with business in developing policy. The work on Local Government reform cited as an example of good practice. Part of this work included a specific workshop event for business representatives to discuss proposals for reform and to get a clearer understanding of what they need from Local Government in the future.
19. Social partners emphasised the importance of effective and robust impact assessment and their role in supporting delivery of good policy. From a social partner perspective, application of impact assessments is less than consistent across Government and more could be done to enforce their adoption, particularly in terms of significant policy decisions.
20. Welsh Government officials felt impacts on business are routinely considered as part of normal business, rather than necessarily being a direct consequence of consciously enforcing the Business Scheme.
21. Social Partners believe the Well-being of Future Generations Act provides a legislative driver to consider wider perspectives so that economic considerations are considered alongside social and environmental ones.

**Recommendation 3: Consider the opportunities to further promote the Business Scheme within Welsh Government including the work by organisations delivering services to facilitate engagement between the Welsh Government and Social Partners.**

**Question 4: To what extent are Social Partners able to contribute at a formative stage in informing the development and/or changes of policy and programmes by the Welsh Government?**

**Summary: Although there are many instances where Social Partners have been engaged early in the policy process – such examples need to be the norm. Social partners consider the Welsh Government needs to take further steps to address this.**

22. Several instances of Social Partners contributing at a formative stage were cited. This included the employability agenda where the Welsh Government worked collaboratively with Social Partners to develop key aspects of employability policies

and associated delivery plans.

23. Responses from Welsh Government officials emphasised the role played by a variety of advisory bodies and groups that include representatives from the Social Partners and that provide an opportunity to contribute to policy development and discussion. These groups also perform an important role as a vehicle to alert Social Partners to future consultations and afford Social Partners with early and ongoing engagement and consultation.
24. Social Partners felt this to be another area where there was significant variance between best practice and lagging performance. Moreover, Social Partners indicated that there were too many instances where policy was well developed by the time Social Partners are engaged and involvement tokenistic.

**Recommendation 4: The provider of services to facilitate engagement between the Welsh Government and the Social Partners<sup>5</sup> produces an Annual Report to the Council for Economic Development on its activities to facilitate engagement**

**Question 5: To what extent is Welsh Government informed of and takes account of developments and concerns identified by the Social Partners?**

**Summary: Whilst there are some examples of good practice, engagement mechanisms could be strengthened to ensure proactive rather than reactive engagement.**

25. Several instances were cited of the Welsh Government taking account of issues raised by the Social Partners. For example, ensuring the sustainability of future bus services in Wales is being informed by a number of experienced bus operators across Wales. This includes feedback on access problems experienced by disability groups, ensuring employees can access work and Social Partners responding to the failure of deregulation of the services.
26. Social Partners emphasised that more could be done to ensure proactive rather than reactive engagement and that more opportunity could be afforded for Social Partners to bring forward their own ideas and solutions, rather than simply respond to the Welsh Government's agenda. Social Partners felt existing engagement mechanisms could be strengthened to support this.
27. Social Partners valued having a range of Cabinet Secretaries and Ministers attend the Council for Economic Development on broad issues and felt this helps promote

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<sup>5</sup> Currently the Wales Social Partners Unit



the role of Social Partners in shaping policy development. They would like to see such engagement strengthened across the Welsh Government.

**Recommendation 5: Use the Welsh Government’s policy and legislation guidance to promote the role of the provider of business engagement services between the Welsh Government and the Social Partners<sup>6</sup>.**

**Question 6: How effective is engagement between Welsh Government and Social Partners on common matters of policy and administration?**

**Summary: There are clear examples of good engagement and where this takes place it enhances policy-making, but engagement needs to be more consistent and where possible, start earlier.**

28. An example used to demonstrate effective engagement is the Wales Employment and Skills Board (WESB), which has representatives drawn from Regional Skills Partnerships, employer representative bodies (CBI and FSB) and Wales TUC.
29. Improvements are being brought about by the evolution of the Social Partners Strategy Group, although this could be used more effectively for early-stage informal discussion about policy and strategy issues.
30. One Social Partner stated that the services provided by the Wales Social Partners Unit were helpful in supporting engagement with Welsh Government as well as between Social Partners.

**Recommendation 6: The provider of services to facilitate engagement between business engagement services to the Welsh Government<sup>7</sup> develops relationships with the Welsh Government lead officials to facilitate early-stage engagement on policies that affect business.**

**Question 7 & 8: Can you identify specific indicators by which the Business Scheme should be measured?**

**How do you think the impact of the Business Scheme should be evaluated in the future?**

**Summary: The difficulty of identifying a specific set of measures is acknowledged as is the need to avoid complexity in developing a new set of measures. However, there is potential to look at a limited number of qualitative measures, subject to further discussion with the Social Partners Strategy Group.**

<sup>6</sup> Currently the Wales Social Partners Unit

<sup>7</sup> Currently the Wales Social Partners Unit

31. Social Partners and Welsh Government officials recognised the difficulties in measuring social partner influence on policy, which is often intangible rather than clearly attributable to a specific measure. In addition, there is broad consensus about the need to avoid complexity through overlapping or duplicating indicators. However, there may be an opportunity to look at a small number of qualitative measures that might relate to areas such as social partner satisfaction with engagement or awareness of new Welsh Government policy.
32. Respondents felt that evaluation of the Business Scheme could be the subject of further discussion at the Social Partners Strategy Group.

**Recommendation 7: Social Partners Strategy Group to consider the merit and means of possible qualitative indicators to measure the Business Scheme.**

**Question 9: Are the impacts on Social Partners (both positive and negative) of legislation, regulation and policy effectively considered?**

**Summary: Whilst Social Partners consider the Welsh Government's record on considering impact is broadly positive, more could be done to consider impacts of legislation, regulation and policy on specific parts of the economy and business.**

33. Generally felt the Welsh Government has a good record when it comes to consultation and inputs are clearly sought for its most significant policy changes. Some Social Partners are concerned by their capacity to respond to excessive numbers of consultations. The work around devolved taxes was highlighted as an effective example where Welsh Government had engaged in an open and transparent way. Social Partners felt they had been able to directly influence the legislation, regulation and policy as these were developed.
34. Social Partners raised some concerns around the Welsh Government's broader approach to regulation and felt all parties would benefit from a clear statement of the Welsh Government's intentions in this area and its policy for improving regulation.
35. More could be done to consider the particular impacts on specific parts of the economy and business through impact assessments that are more attuned to business type, sector and size.

**Recommendation 8: Consider assessment of the impacts on Social Partners (both positive and negative) of legislation, regulation and policy as part of the implementation of the Well-Being of Future Generations Act.**

## **Conclusion**

36. Based on the responses received, there were several good examples of the Welsh Government working with Social Partners to consider the impact of policies on business. There is also reference to various advisory groups with social partner representation, strengthening partnership working. However, the picture is patchy across the Welsh Government and there is room to improve early consultation with business. There appears to be a poor understanding within Welsh Government of the capacity of Social Partners to deal with the volume of policy consultations.
37. Social Partners felt the Welsh Government's approach to regulation could improve through clearer resourcing of work to improve regulation, a strengthening of the Regulatory Impact Assessment process and a clear vision of what the Welsh Government wants to see from regulation.
38. The Welsh Government should consider the wider social partner perspective in line with the Well-being of Future Generations Act, so broader views are reflected. The Social Partners Strategy Group provides an opportunity to discuss policy and strategy issues.