

Council for Economic Renewal Meeting

**Notes of meeting held at 10:30am on Wednesday 13 June 2012 at
National Assembly Offices, Ty Hywel, Cardiff Bay**

Ministers in attendance

First Minister

Minister for Business, Enterprise, Technology and Science

Minister for Finance and Leader of the House (for agenda item **4a**)

Deputy Minister for Agriculture, Food, Fisheries and European Programmes
(for agenda item **4b**)

Minister for Housing, Regeneration and Heritage (for agenda item **4c**)

Stakeholders in attendance

John Bennett, Welsh Social Enterprise Coalition

Paul Byard, Engineering Employers Forum

Emma Watkins, CBI

Peter Hughes, CML

Iestyn Davies, FSB

Richard Houdmont, CIM

Mary James, NFU

Richard Price, HBF

David Lermon, ICAEW

Robert Lloyd Griffiths, IoD

Martin Mansfield, Wales TUC

Julie Cook, Wales TUC

Andy Richards, Unite

Alex Bevan, Wales TUC (Observer)

David Morgan, RICS

David Russ, Chamber Wales

Derek Walker, Wales Co-op

Nigel Keane, WSPU

Mark Judd, WSPU

Heather Eason, WSPU

Welsh Government Special Advisors and Officials in attendance:

James Price

Tracey Burke

Damien O'Brien (part, for agenda item **4b**)

Andrew Jeffreys (for agenda item **4a**)

Jeff Collins

Kath Palmer (for agenda item **4c**)

Gerry Holtham

Jonathan Price

Huw Griffiths

Apologies

Huw Roberts, IoD

Leighton Jenkins, CBI

Richard Jenkins, FMB

Nick Payne, Road Haulage Association
Phil Orford, FSB
Huw Thomas, NFU
Ben Cottam, ACCA
Alex Jackman, FSB
Lowri Morgan, Law Society
John Phillips, GMB
Ian Gallagher, Freight Transport Association
Mary James, NFU

1. Introductions and opening remarks

- 1.1 The First Minister welcomed attendees to this Council for Economic Renewal meeting and introduced the agenda items.
- 1.2 The First Minister said that there were two main items on the agenda.
 - 1.2.1 Round table discussion. Papers on economic conditions had been circulated for this.
 - 1.2.2 Working together to improve the economy which was supported by three papers.
- 1.3 The First Minister reminded the Council that it had charged the working group to consider how the Social Partners paper presented to the February meeting on priorities for the Welsh economy could inform the Council's agendas. Item 4 on the agenda reflects the second theme of that paper. The First Minister also advised that the focus of the September 2012 meeting would be on the third theme identified and Lord Green of BIS would be attending.

<p>Action: Working Group to consider content for the agenda for September meeting.</p>

- 1.4 The First Minister explained that Jane Hutt had to leave the meeting by 11:10am and that agenda item 4a would be presented after agenda item 2.

2. Notes and actions from meeting held on 29 February 2012

- 2.1 This agenda item was introduced by the First Minister. The notes of the previous meeting were included with the meeting papers. He referred to the six action points and advised one action was being picked up at agenda item four today, two were ongoing and three had been closed.
- 2.2 The First Minister asked if there were any issues with the action points and none were raised.
- 2.3 The First Minister asked if there were any issues of accuracy in respect of the Notes of the Council Meeting held on 29 February 2012. Martin

Mansfield commented that paragraph 3.9 of the notes did not quite accurately capture the comment he made. The First Minister requested that the Notes be amended to accurately reflect Martin's comment.

- 2.4 David Leron also pointed out that Richard Houdmont's name had been spelt incorrectly.
- 2.5 The Notes were agreed subject to the two amendments above.

Action: Notes of 29 February to be amended to capture Martin Mansfield's comments and correct the spelling error.
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3. Agenda Item 3: Roundtable discussion on Economic Conditions

- 3.1 The First Minister introduced this item and invited Jonathan Price to say a few introductory remarks.
- 3.2 Jonathan Price spoke about the uncertainty of the UK and the Eurozone economy. There was a mixed picture presented according to some data sources.
- 3.3 The First Minister then opened up the item for discussion.
- 3.4 Andy Richards contributed with a view that borrowing would be rising to 2015, and that a lack of demand with a fall in productivity would mean loss of jobs and incomes. He said it should be welcomed as a Welsh devolution success that the employment rate gap in Wales in relation to the UK has narrowed.
- 3.5 Julie Cook spoke about regional pay, noting that inflation had fallen but that did not take account of a fall in real wages. She spoke about the rise in part time employment and how two thirds of people in those jobs wanted full time employment. She noted that more women than men were in part time jobs. On regional pay she said that this was opposed by the union but welcomed the investment plan for jobs.
- 3.6 The Minister for Business, Enterprise, Technology and Science expressed concern about the female unemployment situation and the trends in this area. She spoke of difficulties in funding child care places and the issue of regaining skills to re-enter the job market. The Minister touched upon issues with banks lending and overdrafts being withdrawn, creating difficulties for customers.
- 3.7 Richard Price explained that housing sales and completions of houses were falling. He welcomed the mortgage guarantee scheme and referred to how the lack of land for development was holding back delivery. He said if more land was available where his members could develop then they would do so.

- 3.8 Emma Watkins expressed disappointment regarding the GDP figures which she expected to pick up in 2013. and reported that the perspective in Wales largely matched the UK perspective on the manufacturing side. She reported on the State of Trade from a recent CBI Wales Council meeting. There were some good signs, however, energy costs were of great concern. She reported that some members weren't able to build in some areas because they weren't able to get the planning permissions and that some companies are turning temporary staff into full time.
- 3.10 David Russ reported on a marginal step up in confidence which is emerging in his members. He added that there seemed to be strong growth in the international market but that more new businesses need to recognise international opportunities. He reported that there's more confidence in the area of business start-ups as more people were coming forward to start up businesses, and commented on the need for more micro grants to stimulate investment.
- 3.11 Peter Hughes noted the subdued mortgage lending compared with three/four years ago, arrears and repossessions lower than forecast because of low interest rates and increased forbearance from lenders. The Eurozone issues were creating a tightening of supply and banks ability to lend is affected.
- 3.12 Derek Walker reported that in early January cooperatives were doing relatively well and there was slightly more confidence in the sector compared with SMEs. He reported some clients faced issues such as loss of grants, access to finance.
- 3.13 Iestyn Davies said he would welcome a dialogue on what kind of innovative finance for business would work in Wales (e.g. peer-to-peer and crowd-sourcing) and how could structural funds work for SMEs. He said that there was a 'Catch 22' situation with regard to confidence and investment. He said that we should encourage lifestyle businesses as a step into entrepreneurship.
- 3.14 Paul Byard reported on working with businesses to invest in trying to drive exports. He suggested that strategies should be combined and work aligned with market needs with the Welsh Government aligning its work in skills, and exports for instance.
- 3.15 The First Minister commented on skills and investment and referred to the sector panels which had been set up to provide alignment in these areas. He would welcome evidence of areas of skills gaps from Members.

Action: Information on evidence of skills gaps to be provided if available by Members

3.16 David Morgan mentioned Cardiff Airport and the First Minister gave an update and that a task force was due to meet imminently to begin to address the issues..

4. Agenda Item 4: Working together on priorities to improve the economy.

4a. Agenda Item 4a: Delivery of the Wales Infrastructure Investment Plan for Growth and Jobs.

4a.1 This agenda item was introduced by the First Minister and led by the Finance Minister and Leader of the House.

4a.2 The Finance Minister and Leader of the House presented the Wales Infrastructure Investment Plan published on 22 May 2012. The Minister said this was a clear demonstration of Welsh Government commitment to growth and jobs. She thanked the Council for their engagement and input in relation to the plan.

4a.3 She emphasised that the plan was very much about how we use the tools and powers to determine to do all we can in partnership to improve the economy in these difficult times.

4a.4 The Minister stated the key points were in developing policies to stimulate growth and to strengthen the economy. It was about how we use and concentrate resources to add most value, how we as a Government act as an enabler of growth to generate jobs.

4a.5 She added that the plan sets out our principles and priorities on investment in the economy with 21st Century networks and infrastructure. Its sets out to be clear on areas like innovative finance and in partnership working with the private sector, the public sector, the third sector and social partners.

4a.6 The Minister said it's about how we take this plan through to implementation. The plan sets out national priorities, an investment framework for nationally significant schemes. It is about how central funding and innovative financing in used. There are seven high level priorities such as east west links, telecoms, supporting the energy industry, and supporting housing.

4a.7 The Minister informed the Council this framework will apply to allocation of capital for housing. The Minister spoke of maximising the use of European structural funds. All forms of investment need to be financed. The Minister said the Welsh Government should be able to borrow and there are on-going intergovernmental talks.

4a.9 Gerry Holtham said the plan as published talked about projects successfully funded from block grant but it did not take account of

money from other sources such as borrowing powers. He stated that our task is to accelerate that programme through borrowing for expensive projects for them to be completed sooner.

- 4a.13 The Minister spoke about the Ely Bridge project and working with Principality Building Society to supply more homes. She spoke about the need for help to take this type of innovative arrangement forward to providing investment in our infrastructure to deliver growth which is the cornerstone of economic success.
- 4a.14 David Russ said the paper provided a good summary and overall vision. David Leron stated that it was a helpful paper with targets to achieve and enquired about Enterprise Zones.
- 4a.15 Andy Richards said Wales TUC welcomes the powers and encourages the Welsh Government to keep focussing on jobs and growth in all major investment and welcomes efforts to devolve borrowing powers. His members' concern is the rising cost of energy to companies. He felt the Welsh Government should have an increased focus in this area. He said that Unite has been a key part of the Energy Island and that the TUC had consistently supported the east-west links.
- 4a.16 Richard Price welcomed the introduction of the mortgage guarantee scheme (MGS). He asked for more clarity and how MGS might work and who is best placed to provide more information.
- 4a.17 Peter Hughes commented on the Ely Bridge housing scheme and said that if we see that level of commitment of what could be delivered this is a good sign as to what can be done.
- 4a.18 Emma Watkins welcomed the WIIP, the strategic direction of the plan and the pipeline of opportunities. She echoed the TUC's comments on east-west links and energy saying these should be reflected in and balanced in the plan. She told the Council of financing models that the CBI had done a lot of work on in the areas of infrastructure and investment. The Minister said that she hoped to be able to discuss with the CBI the work they had done on infrastructure finance models.
- 4a.19 The Minister focussed on jobs and growth. She informed the Council that she is engaging the UK Infrastructure plan. On electrification she said that we need to engage fully in the case for this and the First Minister was leading this area with the Transport Minister and the Minister for BETS.
- 4a.20 On the Mortgage Guarantee Scheme (MGS) the Minister said Officials were working up a business case. She also spoke about the Ely Bridge model where innovative funding routes pursued included looking at non-dividend models.

4a.22 The Minister for Business, Enterprise, Technology and Science responded to the Enterprise Zone (EZ) question by advising that she is looking to maximise what is available for EZs. She reported that EZ chairs are looking at their requirements for property, infrastructure and land reclamation.

4a.25 The First Minister clarified the position on electrification proposals, On energy he said that he has met with larger energy users. He noted that the UK has high prices compared with Europe which makes the UK less attractive for investment. The First Minister has conveyed this to the UK Government.

4a.26 The First Minister thanked the Finance Minister and Leader of the House who then left the meeting.

4b. Agenda 4b Principles and Priorities for 2014-20 Structural Fund Programmes in Wales

4b.1 The Deputy Minister for Agriculture, Food, Fisheries and European Programmes introduced this item, with Damien O'Brien as the lead official.

4b.2 The Deputy Minister spoke about the proposed priorities for the next round of Structural Funds and the principles that would guide implementation, including close engagement with businesses in Wales. He referred to his statement to the Assembly on 8th May and the Reflection exercise undertaken earlier this year.

4b.3 He advised the Council that a special consultation event with business leaders, unions etc had been held in March and this had helped to focus the debate on future priorities for investment. These investments would have to fit within the legislative framework and have a strong emphasis on sustainable growth and jobs.

4b.4 The Minister emphasised that Structural Funds must respect the principle of additionality. Investments must be in addition to existing budgets and deliver a stimulus in terms of jobs and sustainable growth.

4b.5 Iestyn Davies welcomed the statement. He underlined the need to hardwire engagement with SMEs into future planning and delivery. He would like the next round of programmes to deepen entrepreneurship in Wales and focus on getting money to businesses better.

4b.6 Martin Mansfield also welcomed the statement and said that implementation of European programmes was now more focussed and that this should continue – such as spatial targeting areas like the Heads of the Valleys area. This was likely to a greatest impact on the Welsh economy. He also suggested that there are other areas meriting assistance.

- 4b.7 Robert Lloyd Griffiths said his main priority would be road infrastructure but he welcomed the broad thrust of the Government's statement.
- 4b.8 Paul Byard asked if the information could be collated so we could understand some of the themes/lessons which had been learned from current programmes. He highlighted Structural Funds linked to public procurement – there was an opportunity to link both of these to drive and provide for more sustainable development and job creation.
- 4b.9 The Deputy Minister thanked contributors for their comments, stressing that he will continue to engage throughout the process of developing the new programmes. He explained that work was underway to harmonise rules and regulations to simplify European funded programmes and hoped that this would make the programmes easier to engage with. He said that European Commission does not want to see large spending on roads and emphasised more sustainable infrastructure investments, including public transport and energy. He acknowledged the point made on procurement.

4c Agenda Item 4c The Housing White Paper

- 4c.1 The First Minister moved onto item 4c and introduced the Minister for Housing, Regeneration and Heritage to lead this agenda item.
- 4c.2 The Minister spoke about the benefits of good housing to people's health and well-being plus investment in housing stimulating the economy. He also mentioned the housing challenges and our strategic priorities such as improving the quality and supply of homes.
- 4c.3 The Minister told the Council about the Housing White Paper explaining that the need to provide more homes of all tenures is through more affordable homes, bringing empty properties into use and through a new type of ownership such as co-operative housing.
- 4c.4 Setting out his intention for the Welsh Government to have a system stewardship role overseeing the whole housing system, he explained we would intervene where necessary and have the goal of increasing the supply of housing.
- 4c.5 The Minister said there will be targets set for supply of homes and he wished to secure alternative ways of funding housing and new approaches to housing. He mentioned accelerating the land release programme for homes and the Ely Mill scheme in Cardiff being an example of a Special Purpose Vehicle between the Welsh Government and the Principality Building Society to deliver housing.
- 4c.7 Turning to the planning system, the Minister said that the planning system has a role to play in providing housing and that local authorities need to facilitate here.

- 4c.8 Richard Price welcomed the White Paper's direction and recognition of all types of tenure. He welcomes strengthening national guidance and suggests what is needed is to get Local Development Plans (LDPs) adopted and updated. He mentioned setting regional targets for housing and local authorities participating in this with others. He asked how the Mortgage Guarantee would work in this regard.
- 4c.9 Peter Hughes said it was an ambitious paper and welcomed the approach and overall vision and stressed the key role housing plays in regeneration. The Mortgage Guarantee Scheme is not to encourage irresponsible lending as affordability is key.
- 4c.10 Iestyn Davies said his members are in favour of Mortgage Guarantee Scheme and spoke about linkages across portfolios. He asked how can we maximise benefit and achieve a good "trickle-down" effect. He suggested maximising the role of housing organisations and effective local procurement in this.
- 4c.11 Derek Walker welcomed commitment to co-operative housing and targets. He said it felt like Wales was leading in this area. He added much expertise in this area is outside Wales but expertise should be developed within Wales.
- 4c.12 Emma Watkins welcomed the constructive dialogue with Ministers. The CBI would welcome clarification on an indemnity scheme. Measures to pump prime the economy and sector are important such as working with colleagues in Government to release land and tackle planning.
- 4c.13 Martin Mansfield welcomed the approach but emphasised the importance of job creation and training opportunities to increase the skills of workforce, alongside delivering positive procurement policies.
- 4c.14 David Morgan said he would like to see the encouragement of empty retail units being converted to residential property as a valuable option to bring land forward for homes.
- 4c.15 David Russ spoke of a wish list and expressed concerns on the ability to deliver everything. Options for new forms of finance and new ways of accessing land would be critical.
- 4c.16 The Minister for Housing, Regeneration and Heritage welcomed the comments made. He commented on local authorities' role in delivery and the Housing Bill which places greater expectations on them.
- 4c.18 The Minister said for the mortgage indemnity scheme that it would be tailored to Welsh needs.
- 4c.19 He spoke about interest tenure reform, raising standards in the private rented sector. He added unless we encourage build to let and buy to let we will not fulfil housing needs of the Welsh population.

- 4c.20 The Minister spoke of housing associations and Local authorities – their role in procuring. On co-operative housing, he said that co-operatives are about socialisation of risk, coming together in an agreed way to obtain a mortgage to own property.
- 4c.21 Emma Watkins said that the Planning Bill needed to sit well with the Housing Bill and wprk was needed to identify best practice in organisations and mainstream it.
- 4c.22 Richard Price commented on changes to building regulations can increase construction costs and asked how the Minister saw this impacting on delivering targets.
- 4c.23 The Minister said that he was factoring in these issues. He said that the quality agenda is a Welsh Government commitment and should be built into our calculations and planning.

Item 5: Any other business

5.1 The First Minister asked if there was any other business and no comments were received. He thanked everyone for their attendance and contributions and reminded members that the next meeting would be 24 September 2012, with Lord Green attending. The First Minister then closed the meeting.