

# DRAFT MINUTES

## ECONOMIC DEVELOPMENT COMMITTEE EDC-03-99(min)

### Minutes of Committee meeting

**Date:** Wednesday 14 July 1999

**Time:** 09:00 to 12:15

**Venue:** Committee Room 1, National Assembly Building

### Attendance

#### *Members*

Ron Davies (Chair)	Caerphilly
Alun Cairns	South West Wales
Val Feld	Swansea East
Michael German	South Wales East
Brian Hancock	Islwyn
Ann Jones	Vale of Clwyd
Helen Mary Jones	Llanelli
Rhodri Morgan (AS)	Cardiff West
Phil Williams	South Wales East

#### *Officials*

Derek Jones	Senior Director Economic Affairs
Michael Cochlin	Director of Economic Development Group
David Richards	Principal Finance Officer
Emyr Roberts	Head of Financial Planning Division

*Secretariat*

Helen Usher	Clerk
Vaughan Watkin	(Acting) Deputy Clerk

There were no apologies or substitutions.

## **Agenda item 1: National Development Strategy and Single Programme Consultation Documents**

### **EDC-03-99(p.1) and Consultation documents**

1.1 The Chair said he planned to consider the three consultation documents in turn before considering what the next steps in the process should be.

### **National Economic Development Strategy**

1.2 Rhodri Morgan explained that the strategy had been drawn up by the European Task

Force as a basis for consultation. Following the consultation, a further draft would be brought forward in September/October for the Assembly to consider formally. He felt the document needed to emphasise the theme of skills, training and how to generate more jobs in Wales rather than relying on inward investment.

1.3 The Chair said that Paper EDC 03- 99 (p.12) about funding would be discussed separately and so asked for the views of members on the overall content of the development strategy.

1.4 The main points arising from the discussion were as follows:

- the document was vitally important and a great deal of work had already gone into it. It was the role of the committee to build on this by setting the vision and priorities;
- a vision or mission statement was required (similar to that contained in the Objective 1 document) and there needed to be synergy between the strategy and the other programme documents;
- there was a lack of a strong, single positive theme such as sustainable development;
- the document provided only a snapshot of where Wales was now. It needed to put this into the context of the history of Wales and the strong industrial tradition;
- the universities had an important part to play if the levels of growth were to be achieved;
- there was a need to ensure that the targets for GDP growth were achievable. Growth of 4 per cent above UK average growth in the short term was probably unrealistic;
- the requirement for creating jobs was different for each area;
- tourism should be covered under small businesses and not feature separately;
- there was a need for partnership but this should not always be led by national/local government, at times it could be private- or voluntary-sector led;
- there were many cross cutting issues, and the implementation of the strategy needed to be considered carefully;
- child care and health issues in relation to economic activity needed to be included;
- the targets set were very broad and there was a need to break them down to ensure that achievements in some areas did not mask problems in other areas,
- there should be an emphasis on pay levels and there was need for further research on labour market issues;
- the emphasis on small business and consideration of risk finance including a national development bank was welcomed;
- further work was under way on baseline studies;
- even if targets were achieved there would still be a large gap between West Wales and the Valleys and the rest of Wales.

1.5 In summing up the Chair thanked all those involved in the partnership for their hard work, and thanked members for the constructive discussion. There was a consensus that the main themes which needed to be considered were:

- the document required a single strategic theme and should indicate clearly the priorities;
- the need to involve the universities as they had a vital role to play in the development and growth of indigenous businesses;
- the treatment of tourism needed to be looked at again;
- targets needed to be set but they should be justifiable and achievable and should reflect the inequalities within Wales;
- social issues should be included with an emphasis on health and childcare;
- an implementation strategy was required, and it was essential to identify who the lead bodies (public, private, voluntary) were for each area and get them involved.

## **Objective 1**

1.6 The Chair opened the discussion by saying that he thought the chapter on business development was well written. The rural/urban balance needed more work and there was a need for further work on how the problems of the valleys could be addressed. Equal opportunities and other cross-cutting themes needed to run through the document.

1.7 The main points arising from the discussion were as follows:

- there was a need to highlight how to build a strong foundation;
- business development needed to recognise at social issues when

considering employment needs;

- lifelong learning needed to become a reality;
- various elements of Objective 3 should be included in Objective 1;
- there was a need to expand the section on tourism;
- credit unions were important for community regeneration;
- consultation was required in North Wales;
- there was scope for development in the opto-electronics area, where Wales was a world leader. Such technology meant that areas of Wales previously seen as remote could become accessible. But effective training was required if this was to be realised.

## *Chair's Summary*

1.8 The Chair summed up the discussion:

- the emphasis might need to change to reflect any changes made to the National Economic Development Strategy;
- there was a need for more specific proposals to be contained in the documents;
- the themed packages should include regional packages (particularly for the Valleys);
- the initiatives in the Objective 3 document should be incorporated in the Objective 1 document;
- an implementation strategy needed to be produced (how it will be implemented and by whom);
- there was a need for both hard and soft infrastructure to be considered.

### **Objective 3**

1.9 The Chair requested that the references to the Principality be removed from the document, but that aside he felt the content was excellent.

1.10 The main points arising from the discussion were as follows:

- the document needed to address how to raise the confidence of the people of Wales, particularly those with low (or no) expectations;
- there was a need to consider the balance between supply-led and demand-led training;
- the priority of lifetime learning needed to be raised;
- if there was a strategy for encouraging certain sectors then training providers could plan ahead and ensure demand could be met. This had been very successful in Ireland.

### *Chair's Summary*

1.11 The Chair summed up:

- there was a need to ensure compatibility between the strategies set out for Objective 1 and Objective 3 programmes;
- the mechanisms for ensuring the matching of supply and demand for training needed further consideration.

### **Further work**

1.12 The Committee considered how it wished to take the work forward. There was consensus that:

- the Task Force members should be left to consult their constituents;
- there was a need to hold discussions with people who had an overview of the strategies,

who could advise on cross-cutting issues, and those who had experience of implementing such strategies (eg from Ireland, Merseyside);

- two or three public meetings should be held in the Objective 1 area and a range of organisations should be invited to take part in the discussion.

#### 1.12 The Chair summarised:

- the Committee would not duplicate the work of the partners but concentrate on the overview, priorities, cross-cutting issues and implementation.

#### **ACTION:**

1.14 Officials to consider who might be invited to join Committee discussions.

**Action: Michael Cochlin**

### **Item 2: Consideration of priorities for the Assembly Budget**

#### **EDC- 03-99(p.2) EDC-03-99(p.12)**

2.1 Paper EDC-03-99(p.12) covering EC structural funds was considered first and then the budget paper (EDC-03-99(p.2)).

2.2 The following points were made in discussion:

#### *Structural funds*

- the budget figure of £40 million contained in the table in the paper was questioned as it did not match with the baseline budget figures given in the table in Annex 1.3 of the budget paper (EDC-03-99(p.2)) which was £19 million;
- the figure of £40 million per year was an estimate based on historical average spend and not a budget figure. The table and footnotes should have made this clearer;
- it was explained that in past years expenditure on EC programmes had always been lower than provision as projects had proceeded slower than anticipated. The amounts not spent in previous years were held by the Treasury but could be drawn down to supplement budget provision if necessary;
- historically in the UK expenditure on ERDF programmes tended to be back loaded with most occurring towards the end of the programme. The EC was looking to even out expenditure patterns and this might affect the projected funding requirements;
- the timetable for the Comprehensive Spending Review had not yet been published, but

the most likely timing was that the results (including the baseline for 2001-02) would not be known until the Autumn of 2000. This could cause timing problems for the next budget round;

- of the new programmes, the anticipated spend for Objective 1 was £50m, £70m, £100m, £155m for the years 2000-01 to 2003-04 respectively. This excluded match funding (This would not appear as ERDF but within the relevant programme line.);
- there was a need for an analysis of the budget showing new and old programmes separately;
- tranches of grant were drawn down once certain targets agreed with the EC were achieved;
- the Department for Education and Employment would need to find funding to cover expenditure under the European Social Fund;
- the DfEE had suggested that responsibility for administering ESF in Wales should be transferred to the Assembly. This would only happen if all the associated funding was transferred;
- the allocation to Wales of Objective 1 resources was determined by the EC not the UK Government. The total was 1.7bn Euro which at the exchange rate of £0.67 to 1 Euro equated to £1.14bn;
- a falling Euro was not good for Wales as European funding would be worth less.

## *Budget*

- the allocation to RSA and CBDC were questioned;
- it was explained that RSA was demand led and the budget reflected anticipated demand for payments (and this would be reviewed later in the year). No company had been refused a grant because of budget constraints;
- although CBDC was being wound up there were residual commitments which had to be discharged. The Committee would have the opportunity to discuss these issues when it considered the successor arrangements for CBDC in the Autumn;
- the ERDF line needed further consideration in the light of the Committee's earlier discussion;
- the Pathway to Prosperity Fund could be used for match funding;
- there seemed to be a large number of individual budgets and schemes.

## *Chair's summary*

### 2.3 The Chair summed up:

- the ERDF budgets needed to be refined to show new and old programmes separately. This would allow the Committee to consider whether current provision was sufficient;
- the Committee would consider the budget again in September.

## **ACTION**

4. Officials to provide:

- details of the allocation of Objective 1 resources within the UK;
- an analysis of ERDF projected spend split between old and new programmes.

**Action: Michael Cochlin**

### **Agenda Item 3: Assembly Secretary's Report EDC- 03- 99 (p.3)**

3.1 The Assembly Secretary's Report was noted by the Committee.

### **Agenda Item 4: Consultation with Business EDC-03- 99 (p.4)**

4.1 The Committee discussed the most effective ways to take this matter forward. Members felt there should be formal links via the Cabinet and other Committees of the Assembly but there should also be informal ad hoc links with the private sector and the trade unions. The Committee should be able to ask organisations to attend on both a formal or informal basis. Plans should be put in place to cover these arrangements.

#### *Chair's Summary*

4.2 In summing up the Chair made the following observations:

- there was a need for a formal structure;
- however there was a need for informal and ad hoc arrangements as well;
- officials were asked to prepare a scheme which covered arrangements for both formal and informal consultation for the Committee to consider.

## **ACTION**

4.3 Officials to produce revised proposals.

**Action: Derek Jones**

**Item 5: Forward Work Programmes ECD- 03- 99 (p.5) (p.6)**



**(p.7) (p.8)**

**(p.9) (p.10)**

5.1 The Chair noted the Forward Work Programmes. He suggested that the new Chair might wish to consider further and so deferred the item.

**Item 6: Minutes of meeting of 30 June ECD-02- 99 (min)**

6.1 Val Feld raised a query on item 2.5 and asked when the details of the responses received to the last CSR consultation would be available. Officials confirmed that they were almost complete and would be sent very soon.

6.2 A query was raised in relation to action outstanding in paragraph 2.8. Officials informed the Committee that the step by step description of the actions that needed to happen and when would be available in early September.

**Any other business**

7.1 Phil Williams proposed a vote of thanks to the outgoing Chair for the effective way that he had carried out his duties as Chair of the Committee. This proposal was seconded by Alun Cairns and agreed by the Committee.

7.2 The Chair thanked the Members of the Committee saying that he had enjoyed his time as Chair and that he would remain a Member of the Committee and hoped that he would be able to continue to contribute to the work of the Committee.

**Committee Secretariat 15 July 1999**