

**Pwyllgor yr Economi,  
Masnach a Materion Gwledig**

**Economy, Trade and  
Rural Affairs Committee**

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Vaughan Gething MS

Minister for Economy

20 December 2022

Dear Minister,

Thank you for attending our general ministerial scrutiny session on 7 December 2022. A significant part of our session focused on cost of living pressures and the steps the Welsh Government is taking to mitigate their effect.

In light of current economic circumstances, we have also taken evidence in recent weeks on the cost of doing business and the Young Person's Guarantee. This work builds on our July 2022 report on cost of living pressures, debated by the Senedd in Plenary on 16 November 2022.

The annex to this letter sets out some of the key areas on which we would welcome further information from you. These details will inform our ongoing work on the economic and rural impact of cost of living pressures.

A copy of this letter will also be shared with the Minister for Education and Welsh Language and the Deputy Minister for Mental Health and Wellbeing given its relevance to their areas of responsibility.

Kind regards,



Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg | We welcome correspondence in Welsh or English.

## Business rates

Giving evidence to us on [7 December 2022](#), business rates were mentioned as the “no. 1 issue” facing firms by the Wales Retail Consortium (WRC) and the Confederation of British Industry (CBI) Wales. We welcomed the clarity you were able to provide on business rate relief, and note the [statement made by the Minister for Finance and Local Government](#) on 12 December confirming that £460 million business rates support will be provided over the next two financial years.

Many of the business organisations who gave evidence to us have responded positively to the Minister for Finance and Local Government’s announcement. However, some of them also told us that they wanted to see business rates support go beyond that offered in England. For example, the Federation of Small Businesses (FSB) Wales wanted to see 100% rate relief offered to businesses in the retail, leisure and hospitality sectors, and suggested that additional support could be targeted at rural firms to assist with the additional costs they often face.

We welcome the indication you gave during our session on 7 December 2022 of your willingness to engage with our Committee in a longer-term conversation about the future of business rates, following the Draft Budget. In the meantime, we would be grateful if you could explain what consideration you gave to going further in terms of business rates than the measures announced for England, rather than matching these measures.

## Support for businesses to decarbonise

Business representative organisations have raised the importance of government support to help firms to decarbonise. We recommended in our [July 2022 report](#) that the Welsh Government consider supporting businesses to invest in efficiency savings to help them lower fuel and energy costs, and reduce their carbon footprint. We were therefore pleased to hear from you that the Welsh Government will be launching a decarbonisation business fund early in the new year, in addition to the decarbonisation initiative for businesses that the Development Bank of Wales will be launching.

While appreciating that further detail on this scheme will be forthcoming in the near future, we would be grateful to receive a response to the following questions:

- How will the Welsh Government and Development Bank of Wales funds complement each other?
- Will the Welsh Government's fund be made up of grants, loans or a mixture of both, and how much funding will be available?
- Given the enthusiasm with which business representative bodies have told us such funding will be received, how will the Welsh Government ensure that businesses in greatest need benefit from this funding?
- How will you promote this funding to ensure that as many businesses as possible are aware of it ahead of the launch?

Business representatives highlighted that energy-intensive industries and small businesses in sectors such as retail, food and accommodation are being particularly affected by rising energy bills. A recent [UK-wide survey conducted by the FSB](#) found that 42% of accommodation and food businesses would have to shut down, downsize or restructure if support available through the UK Government's Energy Bill Relief Scheme reduces after March 2023.

Given the challenges that these sectors face, we would be grateful if you would outline how you envisage the support provided by the Welsh Government will assist them, and what support you think these sectors will need from April 2023.

## Capital investment

As you said in your evidence to us, the Office for Budget Responsibility expects overall business investment to decline by 4% over the next year, with an uneven picture across different economic sectors. The evidence we heard from business representative organisations on 7 December 2022 clearly sets out the challenges that their member businesses are facing.

UKHospitality Cymru noted that hospitality businesses' "margins are being hammered, and that then means there is no investment ability". Similarly, CBI Wales told us that capital investment is currently "on hold" for many of its members, with uncertainty a key factor underpinning this. CBI stated its wish to work with the Welsh Government on de-risking such investment, and to understand how the Government sees its role in this area.

In light of the evidence received, we would be grateful to receive an outline of:

- the policy levers the Welsh Government plans to use to support business investment during the current economic challenges, to support greater productivity and growth;
- how you intend to work with businesses to de-risk investment.



## Scottish Emergency Budget Review

CBI Wales highlighted the work done by an [economic expert panel](#) as part of the Scottish Government's [Emergency Budget Review](#) as an example of good practice to follow. This review made a number of recommendations to support businesses with rising costs, which were influenced by engagement with individual businesses, sectors and business representative organisations. CBI Wales called for the Welsh Government to look at the process followed – and the recommendations made – by the Scottish Government.

To inform our ongoing work, we would be grateful to receive an outline of:

- the extent to which independent economic experts such as the Economic Ministerial Advisory Board have informed the Welsh Government's policy development in supporting businesses with rising costs;
- the consideration given by the Welsh Government to taking a similar approach to the Scottish Government.

## Cost of living and Young Person's Guarantee

On [24 November 2022](#) we held an evidence session to consider how cost of living pressures affect the operation of the [Young Person's Guarantee](#). Whilst witnesses suggested that the Guarantee is having a positive impact, and that the programmes within it are important, there were suggestions for improvements. These included: the level and allocation of support provided under the Guarantee; the careers advice and effective communication of the options available to young people; mental health provision to support engagement in employment and training; and early intervention to prevent people from becoming NEET.

We note that, following our session, you made a Statement in Plenary on the Young Person's Guarantee on [13 December 2022](#).

### *Support not keeping up with the cost of living*

We heard concerns that some young people may be leaving vocational programmes and going into low-skilled work to enable them to meet their basic needs. The National Training Federation for Wales (NTFW) said that "unless we do something to support young people, they're going to choose part-time jobs with little training and little prospects", and that the training allowance available under programmes such as Jobs Growth Wales+ "just wouldn't allow them to fully function".

During our discussions, you told us there may be a "need to shift the patterns of support" available, and that more detail will be available in the annual report on the Young

Person's Guarantee which is due in January 2023. You also said there will be a need to look at that data and then look to what will need doing.

In light of the evidence we have gathered, and to inform our future work in this area, we would be grateful if you could provide an outline of:

- any changes the Welsh Government envisages having to make to ensure that programmes under the Young Person's Guarantee such as Jobs Growth Wales+ are a viable option for those on the edge of poverty;
- your assessment of the sufficiency of training support, and the potential impact of that on participation in employability and training schemes.

### *Directing support to where it is needed*

We have been told that the impact of the cost of living is having an unequal effect in different geographical regions. Dr Barry Walters (Pembrokeshire College and Strategic Work Based Learning Group) told us that, in a rural area, increasing transport costs can have a "debilitating effect" for some learners. John Graystone (Learning and Work Institute) explained that, in rural areas, depopulation can impact the jobs market.

The NTFW also suggested that the Welsh Government should "reflect back and look at the deciles of social deprivation indices" and ensure that any additional support for the most vulnerable learners goes to "the right place and the right people".

During our discussions you told us that during the first year of the Young Person's Guarantee the Welsh Government has been gathering feedback and working to ensure that the Guarantee is "successful for different cohorts of people", and that changes to the Guarantee are done as part of an "iterative process". In your statement on 13 December 2022, you also said that the Welsh Government is looking at "further collaboration to increase the package of support for those facing complex disadvantages", and that the national conversation with young people has been at the heart of "developing our ability to better understand the issues that young people face".

In light of the evidence we have gathered, and to inform our future scrutiny of this policy area, we would be grateful if you could indicate:

- how are you ensuring that the Young Person's Guarantee addresses the different needs of young people in Wales, including those that arise from regional differences or for those with complex disadvantages;
- what, if any, changes you are considering to ensure support reaches those who need it most, and when those changes would be implemented.

## ***Mental health provision to support engagement in employment and training***

We have heard that the cost of living is impacting on young people's mental health. As you reflected in your statement on 13 December, the "scarring effect of the pandemic" is still unfolding. The NTFW said that providers "are providing more and more, especially around mental health ... at our own cost". As Minister, you told us that there is now a clearer understanding of the "protective" nature for mental health of successful engagement in education, employment or training, and that you have had "direct conversations with the Deputy Minister for Mental Health" about joining up your work.

We would be grateful if you could clarify:

- the outcomes of your conversations with the Deputy Minister for Mental Health in this regard;
- how you plan to implement tangible change for young people who need mental health or well-being support to maintain their employment or training.

## ***Early intervention, and signposting young people to programmes***

Your evidence paper to us ahead of our session on the 7 December said that:

*Where once there was a confusing range of options, opportunities, and advice systems available to young people, the Working Wales service now provides a single, simple route to support coupled with professional independent careers advice.*

However, the NTFW told us that "we need to look ... at Working Wales", as they are "just not seeing the numbers coming through", and that "we tend to see that we're recruiting our own [learners] still". The Learning and Work Institute said that "it's really important to ensure that the wider network of organisations that support young people are really aware of what's available through Working Wales and the youth guarantee", and that those organisations "play their role in signposting advice and mentoring to move those young people in the directions they want to go". Dr Barry Walters stressed the importance of targeting learners in pre-16 education "before they become NEETs and they become even harder to reach".

During our session on 7 December, you said that the Welsh Government is always looking for ways to "improve the relationship between schools, the careers service, and young people, and the options available." You also said "the earlier we can intervene, the better.

So, work in schools before people get to 16 is really important to identify people with a real prospect of ending up not being in education, employment or training”.

We would be grateful if you could outline:

- how you are evaluating the performance of the Working Wales service, including what feedback you have heard about how effectively it is signposting young people to the full range of programmes available as part of the Young Person’s Guarantee;
- your assessment of how effectively schools, careers advice and further education and training providers are working together to help learners understand the full range of options after compulsory education , and whether there are any areas in which this relationship could be improved;
- further details on the steps the Welsh Government is taking to build early intervention into the Young Person’s Guarantee.

