



Written Response

Economy, Trade and Rural Affairs Committee

24/01/2023

The Minister for Economy, Vaughan Gething MS, appeared before the Economy, Trade and Rural Affairs Committee on 7 December 2022. Following this appearance, the Chair of the Committee, Paul Davies MS, wrote to the Minister and requested further information.

This document outlines the Welsh Government's response.

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1. Business Rates

“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 non-domestic rates will be provided through a freeze in the multiplier for 2023-24, at a cost of more than £200m over the next two years. We will also be providing over £140m of non-domestic rates relief for retail, leisure and hospitality businesses in Wales. Eligible ratepayers will receive 75% non-domestic rates relief for the duration of 2023-24. Following the 1 April 2023 non-domestic rates revaluation, we are also providing support through our two-year Transitional Relief scheme for ratepayers with increased liabilities. The scheme is providing £113m over two years, supporting all areas of the tax-base through a consistent and straightforward transitional scheme.

To provide the generous package of support announced for non-domestic rates over the next two years, the Welsh Government has gone further than we would have been able to using consequential funding alone. We have committed £26m more in our 2023-24 budget than we will receive as a consequence of UK Government announcements. This is in addition to our permanent reliefs that provide over £240m of support every year, fully funded by the Welsh Government.

We did give consideration to options that would go even further, for example by reducing the multiplier, but such options are not considered affordable. Given the range of pressures on public finances in Wales, the Welsh Government needed to make difficult decisions in preparing our Draft Budget for 2023-24. The support package we are providing constitutes a significant share of the resources available to us over the next two years.

2. Support for businesses to decarbonise

“How will the Welsh Government and Development Bank of Wales funds complement each other?”

The Development Bank of Wales will be working closely with the Business Wales service to ensure that businesses are aware of any complementary support which may be available alongside finance provided through the Bank. This will include providing details of any relevant grant schemes supported by the Welsh Government where these are available. There are many instances where the finance available through the Development Bank of Wales complements or works alongside grant support made available directly from the Welsh Government. The Wales Tourism Investment Fund is one example of this which has been operating successfully for some time. We endeavour to ensure that, through close working between the Welsh Government and the Development Bank of Wales, business get the support they need.

“Will the Welsh Government’s fund be made up of grants, loans or a mixture of both, and how much funding will be available?”

The Welsh Government fund will be operated by the Development Bank of Wales. The first phase will be a combination of an advice and loan offer to businesses, with an initial £10m available, which can be scaled if required based on demand. Welsh Government and the bank will also continually review the proposition including potential to apply match funding via a small intervention grant. We will be using evidence to assess this position.

“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?”

The Bank has modelled the fund on anticipated demand based on enquiry and business data available which it will continue to monitor and assess to ensure it is able to support the best applications. Applicants will be assessed against set criteria, and we stand ready to expand or amend the scheme as required based on demand presented.

“How will you promote this funding to ensure that as many businesses as possible are aware of it ahead of the launch?”

Welsh Government and the Development Bank of Wales will jointly promote the forthcoming scheme via both its marketing and public relations channels including website, helpline, social media and news articles.

“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.”

The Welsh Government’s approach to supporting businesses with the rising cost of living is focused on the longer-term measures to help businesses find ways to reduce costs and be more energy efficient. The main levers to help businesses through this energy crisis, access to borrowing, taxation of windfall profits, regulation of the energy market, lie squarely with the UK Government. Our priority is to support businesses of all sizes to decarbonise as quickly and as fairly as possible.

Giving evidence to the Welsh Government on the 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. However, results in the latest Office for National Statistics (ONS) business insights survey (12 January 2023) in response to questions about businesses’ main concerns, Welsh businesses responded indicating energy prices and inflation were far more prevalent concerns.

To respond to these concerns the Welsh Government has recently announced continued support for businesses through business rates relief. We are aware however that business rates relief can have the unintended consequence of increasing property value, so it is important that wider business support focuses on assisting businesses to be more resilient longer term. We have therefore developed measures to support businesses to adopt green technology and to transition towards carbon neutrality, with the aim of businesses being making costs saving through energy efficient and reducing dependency on price-volatile and costly carbon fuels.

The Welsh Government is providing support to business through several initiatives including those delivered by Business Wales, who provide a range of general business advice, information and signposting as well as specialist strands of advice such as contingency planning and resource efficiency to support businesses in addition to broadband exploitation and access to the Skills Gateway and Farming Connect.

Business Wales offers a wide range of advice and support on green policies, practices and resource efficiency as well as workshops. One-to-one advice includes energy efficiency, waste management, pollution prevention, legal issues and permits, environmental management systems and sources of funding. A new zone has been developed for the Business Wales website to bring together

existing content and tools available to support businesses to reduce their use of resources and costs. This zone will act as the focal point for any future advice and support for businesses.

The Development Bank of Wales (DBW) will introduce a new product in Spring 2023 which will provide Green Business loans. The Bank intends to operate this Fund with a competitive or low interest rate. Whilst the rate of interest of the loans will be a matter for DBW to determine, they will continue to operate on commercial terms but recognising the need to achieve a balance of social and financial outcomes. In terms of flexible finance, DBW will be looking closely at potential repayment holidays at the beginning of the loan and ensuring that they offer patient capital with aligns the investment with the payback period. DBW will continue to work across Welsh Government to identify opportunities for delivery where they can bring value and solutions to policy and delivery ambitions.

The UK Government has recently announced the Energy Bills Discount Scheme (EBDS) will replace the Energy Bill Relief Scheme (EBRS) from 1 April 2023 and will run to 31 March 2024. While we welcome the fact the new scheme takes a universal approach, and includes charities and the public sector organisations, the Welsh Government is concerned that the new EBDS is less generous than previous energy support, being a discount per unit of energy rather than fixing the price of energy at a target price per unit. Supporting these concerns, it was disappointing there are no new incentives for business to invest in energy efficiency measures.

Although businesses may welcome this support, it is vital that Government provides confidence and certainty over the longer term. The ONS business investment results demonstrate that business uncertainty constrains business investment. The Welsh Government recognises the damaging effect of uncertainty and working to address this by providing a suite of business support measures to provide stability, supported by predictability in our policies.

The Welsh Government has a long-term strategic vision for the food and drink industry focussed on a broad basket of success measures. Amongst the practical actions we are taking to deliver this is a Trade Development Programme which provides comprehensive support to food manufacturers and processors to establish and grow sales in the food retail and service sectors. We invest in comprehensive market insight to help businesses understand their trading environment, the routes to market and, crucially, how trends in the market might develop. We also provide technical support to improve efficiency and to develop new products through Food Innovation Wales.

We recognise the consumer is eating out less in response to the ongoing rise in the cost of living. Where we can our programmes support food service and hospitality providers to innovate and take action to attract consumers back into these settings, however we accept this is very challenging in the current financial climate.

Separate to the action being taken to support the food sector specifically, we plan to launch a Retail Delivery Plan soon, which will focus on the wider retail sector in Wales and communicate actions the Welsh Government and Retail Forum partners will take in coming years to move towards achieving the retail vision and alignment to the wider economic mission.

3. Capital investment

“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”

As outlined in my previous answer, the Welsh Government will continue to utilise established provisions to support the Welsh economy such as those delivered by Business Wales and financial support available via the Development Bank of Wales.

The Business Wales website has a business finance zone offering specialised guidance and information to help people identify appropriate finance as well as a finance locator <https://businesswales.gov.wales/businessfinance/>

The Development Bank of Wales (DBW) helps Welsh businesses get the finance they need to start, strengthen, and grow and provides loans from £1k to £10m from a range of funds which support decarbonisation activities. They also help businesses find the right finance partner to leverage in private finance with its own gap finance when necessary.

The Welsh Government is committed to reviewing its economic policies to ensure we are delivering appropriate assistance making best use of the resources available and the ever-changing economic climate. EU funding previously available to the Welsh Government provided greater flexibility for the Welsh Government to deliver targeted support and long-term strategic projects. The UK Government’s use of financial assistance powers to spend directly in Wales through the Shared Prosperity Fund (SPF) and under its levelling up agenda is directly resulting in spending decisions on economic support being made by the UK Government not by Welsh Ministers who have been democratically elected to serve people in Wales.

The UK Government has not honoured its manifesto promise to match the size of EU funds for Wales. Replacement funds via the SPF represents a shortfall to Wales of £1.1 billion by 2025 and the Welsh Government has been denied any access to the Fund to support our pan-Wales programmes. The funding loss has been exacerbated by the one-year cycles of the SPF which mean that long-term strategic projects are no longer possible. Instead, the Fund will support small, short-term projects with significantly less economic value and legacy.

Analysis by the National Audit Office and independent evaluations of the Objective 1 era stress that investment will achieve greater outcomes through

fewer large-scale, national strategic projects rather than through small-scale, localised projects.

UK and Welsh Government can work together well, Freeports is a good example of to co-design a model that respects our devolution settlement. It is vital the UK Government replicates this approach in the delivery of post-EU funds and other UK funds using the Internal Market Act.

Considering the economic crisis and the hole in the public finances, consideration needs to be given to the future direction of the SPF, including the Multiply scheme, in order to achieve better economic outcomes. In Wales, EU funds previously supported critical pan-Wales programmes which are essential for productivity and growth such as Business Wales, apprenticeships, the Development Bank and our innovation programmes; yet under SPF arrangements the Welsh Government is being denied access to support these critical schemes.

4. Scottish Emergency Budget Review

“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.”

The Ministerial Advisory Board (MAB) for the Economy was established to provide timely, relevant and expert external advice on specific economy-related matters, by identifying both current and future economic challenges and opportunities to develop Wales’ economy and help it to thrive. It has members with a wide range of expertise, ranging from economists to academics and those professions that play key roles in the economy and its interaction with social fabric of Wales. We are keen that young people are represented on the board, as this is their economy, and we are pleased that we have 2 members under the age of 23 when they were appointed.

Along with formulating advice and presenting it to Ministers, Board members have, in the last 12 months, discussed key policy ideas and acted as a sounding board for future policy development, testing the Economic Mission and the longer-term demographic challenges of Wales and the UK. They have offered robust challenge and testing our key policies where appropriate.

Alongside the MAB, we advocate for close relationships with industry stakeholders and regularly meet with a wide range of industry leaders and Trade Unions who represent business interests and employees.

The Welsh Government has noted the Scottish Government’s approach used in developing their emergency budget review work. Be assured that the Welsh Government values the input from its industry partners and stakeholders and utilises open channels of communication we have with industry leaders to seek feedback on its policies as appropriate. The CBI is one of many industry groups that views would be sought when the Welsh Government initiates similar measures.

5. Cost of living and Young Person's Guarantee

"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."

We continue to review our programmes in the context of the cost-of-living crisis.

Most notably, we have adapted Jobs Growth Wales Plus (JGW+) via seven interventions aimed at reducing the challenges young people face in accessing and maintaining on the programme. These interventions range from funding enrichment activities in order to improve programme uptake, through to funding a free meal per day of on-site attendance for each young person on the programme. For those who need it, additional financial and personal support is also available.

We hope to announce further increases in support related to JGW+ before the end of January.

Elsewhere, our Community Employability Programmes offer holistic support to individuals, which includes, as required, referrals to housing and debt advice and to local foodbanks. Delivery teams also promote the financial support available from Welsh and UK Governments to tackle the cost-of-living crisis. Individuals being supported through the programmes are also able to draw on direct financial support for barriers such as travel and subsistence costs whilst undertaking training, attending work experience or interviews. Similarly childcare costs can be funded whilst individuals are undertaking training and essential start-up costs for those entering self-employment are also funded.

In a year since the launch of the Young Person's Guarantee (YPG) we have seen over 20,000 interventions delivered via our employability services alone, with over 11,000 young people starting on our employability programmes.

During the latest figures (July to September 2022), of the JGW+ programmes that ended, 62% of leavers had a positive outcome based on their destination within four weeks of completing the programme. This includes those moving to a job receiving a salary paid at least at National Minimum Wage.

Communities for Work Plus (CFW+) has seen additional mentoring capacity to support people furthest away from the labour market to access training

opportunities and employment. Over 2,700 young people have been supported by it since the launch of the YPG, with over 1,300 progressing into employment so far.

By April 2022, there had already been 18,675 all-age apprenticeship starts since the start of this Senedd's term. We are continuing to provide significant investment in our flagship apprenticeship programme - working against a backdrop of significant economic challenge and uncertainty, exacerbated by the upcoming loss of EU funding.

When it comes to apprenticeships, we will not sacrifice quality for quantity, continuing higher level/degree level and inclusive apprenticeships on our frameworks - monitoring completion accordingly.

"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."

We have already acted decisively on ways to improve how we identify those young people who might need additional support the most.

The refreshed Youth Engagement and Progression Framework will play a key part in the early identification of potential NEETs in school and up to the age of 18.

It is built around understanding their needs, putting appropriate support or provision in place and monitoring their progression. The Framework also aligns with our commitment to prevent youth homelessness and address mental health issues and seeks to ensure young people are identified and supported before they reach a crisis point.

It is flexible for regional differences with local authorities providing the strategic and operational leadership for implementing the Framework, while local partnerships have a critical role in supporting its delivery.

As indicated, CfW+ is delivered by Local Authorities and whilst it is primarily focussed on those facing most disadvantage in the labour market, the Authorities have scope to tailor provision to meet differing local needs.

We have also commissioned the Regional Skills Partnerships (RSPs) to support the Young Persons Guarantee and commence engagement activity to shape the Guarantee's provision within their areas. RSPs have been asked to consult with programmes and projects in order to understand the offer available within their

regions. This will enable Working Wales advisors, Job Centre Plus advisors and youth workers to signpost people to provision within their local area.

For those with complex disadvantages, Working Wales are required to monitor all referrals by age, gender, ethnicity and disability status, including data and analysis from referral agencies and benchmarking participation rates against local and national averages; and taking positive action to improve participation and attainment by under-represented groups.

Programmes such as JGW+ include stipulations that Contractors must take positive action to tackle difficulties experienced by under-represented groups and are monitored regularly.

We have also employed a network of Disabled People's Employment Champions, supported by Business Wales Disabled People's Employment Advisors, to provide advice, information, and support stakeholders across Wales.

The ReAct+ programme can award a Personal Development Support (PDS) grant of up to £500, alongside the vocational training grant. The aim of PDS is to address barriers to employment which are not skills-related (these are addressed via the vocational training grant). The Working Wales adviser will consider any additional barriers when conducting the advice and guidance interview.

In addition, we have already expanded the ReAct+ cohort to include young people aged 18-24 and who are NEET. The employer recruitment incentive has an 'uplift' of £1,000 which is awarded to employers who recruit a young person aged 18-24 or a person who considers themselves to be disabled. The 'uplift' increases to £2,000 if the new recruit is aged 18-24 and considers themselves to be disabled.

It should also be noted that there is an estimated annual £50m loss of European Social Fund (ESF) funding for employability programmes.

We are already seeing increases in referrals of young people to CfW+ as regional ESF programmes supporting young people (and indeed those of all ages) finish. Shared Prosperity Fund provision is far from ready to step in and will not be of sufficient magnitude to fully replace the lost EU funds.

"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."

The Deputy Minister for Mental Health and Wellbeing is a co-lead on the aforementioned refreshed Youth Engagement and Progression Framework,

alongside myself, the Minister for Education and Welsh Language and Minister for Climate Change.

The Welsh Government currently provides funding to Local Authorities via the Youth Support Grant, which supports the delivery of the Framework. YSG funding has been confirmed between 2022 to 2023 and 2024 to 2025 and includes, £2.5 million per annum to support emotional mental health and well-being through youth work activities.

We also now have Health-led employment support to support health-related employment barriers, this includes the Out of Work Peer Mentoring Service which is unique to the UK. It provides peer mentoring and employability support to people who are in recovery from substance misuse and/or mental ill-health. Employers can benefit from three months of advice and support from peer mentors if they employ someone referred by the service.

Building on the successful Healthy Working Wales programme and broader linkages with Public Health Wales, we are also working with Healthy Working Wales on information sheets and other advice for employers to help support young people's wellbeing in the workplace. We are also working with them on supporting our National Conversation focus group discussions.

The Youth Engagement and Progression Framework is key in terms of early intervention and signposting. It is built around the early identification of young people aged 11 to 18 who are at risk of becoming not in education, employment or training (NEET) or homeless, understanding their needs, putting appropriate support and/or provision in place and monitoring their progression.

The Framework enables lead workers to support young people's mental health, by harnessing emotional and mental well-being services and resources as well as a range of mentoring and one to one support.

All our employability and training programmes also offer forms of support and signposting in relation to health and well-being matters. For some programmes, such as JGW+, this includes enrichment activities such as team building, mental health and well-being resilience, physical activities and fun activities such as outdoor pursuits and problem solving.

Furthermore, our Feed Your Positivity Campaign aims to provide young people with positive messages and support to enable them to begin or change their story. The campaign was a response to the impact of COVID-19 and has been designed to counter the negativity about job prospects and challenges to mental health that young people are exposed to.

"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."

The Working Wales service now provides a single, simple route to support coupled with professional independent careers advice. As the independent careers advice and guidance service it is ideally placed to anchor the YPG into a range of different programmes and communities across Wales.

Working Wales also oversees various performance reports on the YPG. Working Wales sits within the Careers Wales organisation and has a Working Wales micro-website that contains links that move customers smoothly between both sites depending on their needs or their purpose in visiting the site.

Almost 11,000 young people have engaged with Working Wales since the YPG started. For those engaging through Working Wales we know that employment is the most common destination, followed by training then education.

Wavehill in partnership with the Learning & Work Institute were commissioned in 2019 to carry out an on-going evaluation exploring the effectiveness, efficiency and impact of Working Wales. The evaluation is scheduled to run until September 2023.

Report 1 has been published on the Welsh Government website covering:

- A theory of change for the programme.
- Analysis of programme management information.
- A review of the impact of COVID-19 on the service.
- Ten case studies of Working Wales participants.

Two key priority areas have been identified for further exploration as part of the next phase of the Working Wales evaluation, this includes a focus on:

The support being provided to refugees and migrants; and

The delivery structure (including considerations around provision in FE, comparisons between rural and urban delivery, and marketing).

The COVID-19 pandemic not only severely impacted the progression of young people but also the ability of partners to work together to provide advice and promote the range of options available to young people.

In October 2002 the Welsh Government sponsored the Skills Cymru event - the first since the pandemic – giving young people the chance to meet local and national employers and high-quality education providers face-to-face to gain expert career advice and plan their careers. This year, saw over 5,000 young people and 45 exhibitors, making it the largest in-person free careers, training and apprenticeship event in Wales.

We also continue to roll out in schools our ‘Have a Go’ kits initiative that use fun and interactive experiences to encourage primary and secondary school children, as well as college students to learn more about vocational careers and apprenticeships. Have a Go kits provide learners with a real and engaging insight into some of the most popular and exciting career options. Experiences are available across five industry sectors, ranging from media to construction, engineering, hospitality and health care.

One of the areas where we identified a need for improved join-up and representation was our Employment Bureaus programme. In October 2022, backed by £2.36m, we launched enhanced Employment and Enterprise Bureaus to help young people prepare for the world of work. The bureaus are delivered by the colleges and work with key partners, such as employers, regional skills partnerships, Careers Wales and Working Wales.

They will create opportunities for learners to engage with local, regional and national employers; present varied routes into employment via programmes such as JGW+, apprenticeships and Big Ideas Wales; provide one-to-one advice and guidance; and encourage aspirations for entrepreneurship amongst learners through an entrepreneurship champion in each institution.

Careers Wales continues to have a key role in promoting the range of options available, particularly in schools where it provides one to one interviews, group sessions and employer interactions, amongst other things.

All key partners sit on the YPG Stakeholder Advisory Group and meet regularly to discuss new developments, potential issues, improvements and best practice.

As noted in previous responses, the refreshed Youth Engagement and Progression Framework is key in terms of early intervention and signposting.

It focuses on considering attendance, behaviour, and attainment indicators. Early identification data is then used at termly at multi-agency meetings, with a network of lead workers such as Local Authority Engagement and Progression Co-ordinators (EPCs), Youth Workers, Families First staff, Working Wales staff - all of whom work with young people on a daily basis encouraging them to re-engage.

The Welsh Government currently provides funding to local authorities via the Youth Support Grant, which supports the delivery of the Framework. YSG funding has been confirmed between 2022 to 2023 and 2024 to 2025 and includes, per annum:

- £3.8 million for activities relating to youth work, including a minimum of £1.1 million to be spent on activities relating to the Framework
- £3.7 million for the prevention of youth homelessness, including funding for a youth homelessness co-ordinator in each local authority
- £2.5 million to support emotional mental health and well-being through youth work activities