



Cynulliad Cenedlaethol Cymru

The National Assembly for Wales

Y Pwyllgor Cyllid

The Finance Committee

Dydd Mercher, 26 Mehefin 2013
Wednesday, 26 June 2013

Cynnwys

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Cynnig o dan Reol Sefydlog Rhif 17.42 i Benderfynu Gwahardd y Cyhoedd o'r Cyfarfod
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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal, cynhwysir
trawsgriafiad o'r cyfieithu ar y pryd.

The proceedings are reported in the language in which they were spoken in the committee. In
addition, a transcription of the simultaneous interpretation is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Peter Black	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Christine Chapman	Llafur Labour
Jocelyn Davies	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Committee Chair)
Paul Davies	Ceidwadwyr Cymreig Welsh Conservatives
Mike Hedges	Llafur Labour
Ann Jones	Llafur Labour
Julie Morgan	Llafur Labour

Eraill yn bresennol
Others in attendance

Tracey Burke	Cyfarwyddwr, Strategaeth, Llywodraeth Cymru Director, Strategy, Welsh Government
Edwina Hart	Aelod Cynulliad, Llafur (Gweinidog yr Economi, Gwyddoniaeth a Thrafnidiaeth) Assembly Member, Labour (The Minister for Economy, Science and Transport)
Rob Hunter	Cyfarwyddwr Cyllid a Pherfformiad, Llywodraeth Cymru Director, Finance and Performance, Welsh Government

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Mike Lewis	Dirprwy Glerc Deputy Clerk
Gareth Price	Clerc Clerk
Ben Stokes	Y Gwasanaeth Ymchwil Research Service

Dechreuodd y cyfarfod am 10.00 a.m.
The meeting began at 10.00 a.m.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions

[1] **Jocelyn Davies:** Welcome to this meeting of the Finance Committee. There are no apologies or substitutions. Obviously, Ieuan Wyn Jones is no longer an Assembly Member. I thought that I would write to him on behalf of the committee, thanking him for his work here and wishing him well in his new post.

10.01 a.m.

**Cynnig o dan Reol Sefydlog Rhif 17.42 i Benderfynu Gwahardd y Cyhoedd o'r
Cyfarfod**
**Motion under Standing Order No. 17.42 to Resolve to Exclude the Public from
the Meeting**

[2] **Jocelyn Davies:** We will now go into private session, but we will meet in public again later on, when we will be taking evidence from the Minister on enterprise zones.

[3] I move that

the committee resolves to exclude the public for items 3, 4, 5, 6 and 7, in accordance with Standing Order No. 17.42(vi).

[4] I see that the committee is in agreement.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 10.01 a.m.
The public part of the meeting ended at 10.01 a.m.*

*Ailymgynullodd y pwyllgor yn gyhoeddus am 11.31 a.m.
The committee reconvened in public at 11.31 a.m.*

**Ymchwiliad i Ardaloedd Menter yng Nghymru—Tystiolaeth gan Weinidog yr
Economi, Gwyddoniaeth a Thrafnidiaeth**
**Inquiry into Enterprise Zones in Wales—Evidence from the Minister for
Economy, Science and Transport**

[5] **Jocelyn Davies:** Welcome back to this meeting of the Finance Committee. We have reached agenda item 8; the other items were discussed in private session. This item concerns our inquiry into enterprise zones in Wales and we are taking evidence from the Minister for Economy, Science and Transport. We are very grateful to you, Minister, and your officials for being here today. Would you like to introduce yourself and your officials for the record? We will then go straight into the first question.

[6] **The Minister for Economy, Science and Transport (Edwina Hart):** Yes. I am currently Minister for Economy, Science and Transport. [*Laughter.*]

[7] **Jocelyn Davies:** Minister, I wonder what the first question will be. [*Laughter.*]

[8] **Edwina Hart:** My officials will introduce themselves.

[9] **Ms Burke:** I am Tracey Burke; I am director of strategy in the Minister's department.

[10] **Mr Hunter:** I am Rob Hunter; I am the finance director in the Minister's department.

[11] **Jocelyn Davies:** Thank you. In your current role, Minister, each of the enterprise zone boards has developed a strategic plan for their zone, setting out the vision for their area's priorities, the infrastructure requirements and property considerations. Do you intend to publish any further information on any aspects of the plan that you intend taking forward?

[12] **Edwina Hart:** Yes. I will take on board some of the points that you raised with the enterprise zone chairs in my discussions with them next week. I would like to consider

publicising more information when it is available, in terms of where their strategies are going. You will appreciate that there might be issues that I will not be able to go into, as they might be commercially sensitive in nature. However, it is important that I revise what is available in the public domain, and I will discuss that with the chairs next week. We will then decide what we can put out in the autumn with regard to their plans.

[13] **Jocelyn Davies:** Lovely; thank you. Julie, shall we move on to your questions?

[14] **Julie Morgan:** Yes. Good morning, Minister. We have heard that the enterprise zone boards do not have any direct visibility in the Welsh Government budgets.

[15] **Edwina Hart:** No.

[16] **Julie Morgan:** Could you explain on what financial base these zones are being developed and how, in practice, they inform your budget planning? The fact that the boards are there and—

[17] **Edwina Hart:** There is an issue about the enterprise zone boards, because, effectively, they are task and finish groups that report to me. Therefore, they do not necessarily have a budget, in that sense of the word, as they would if they were independent organisations. As enterprise zone boards emerge and develop, we will need to look at some of the governance issues around them—how they should be established and what we need to do with them. However, in the early stages, we decided to take this direct approach.

[18] The issue you raised about money has never been raised with me by any of the chairs of the enterprise zone boards, or by the boards themselves. However, we are going through some of the detail of their plans and some of them are exceptionally costly, I have to say, in terms of what they want to do on infrastructure and everything. What I do is make the budget available from my budget, in terms of what I undertook. When I first had it, I dealt with the economic side and I then had to liaise with the then Minister for transport. Now, I liaise with myself about what transport infrastructure is required and, of course, we have a close relationship with the education side about what money can be made available for training. I am confident that it has sufficient funds to deliver activities, unless the comprehensive spending review is absolutely dire this afternoon, in terms of what capital projects we might have to put in. They have all been identified.

[19] I do not know whether it would be helpful to identify, perhaps, some of the proposals that have come from one of the enterprise boards to indicate the scope of it. Deeside, in particular, looked at a whole range of transport issues. Some of them were not for me; some were for the local authority—it was a question of trying a bid in order to get something. It was looking at bus hubs, red routes, traffic corridor remodelling, roundabouts, cycle routes and railway stations. All of that has to be considered in terms of what can be dealt with locally and what I could deal with. There was also the issue of connectivity to each of the enterprise zones, so we have to look at transport policies. I will deal with that as part of the transport budget, which is my responsibility. On the rest of it, in terms of economic activity and what I would do for companies that might come in, it would be the same offer that I would give, but it might be enhanced, because they might have business rate relief or enhanced capital allowances. However, that would all be a financial matter. In the future, when we look at some of the governance issues, I might consider how important it is that they have pots of money to utilise.

[20] **Julie Morgan:** Does each of these enterprise zones have a strategic plan?

[21] **Edwina Hart:** Yes, they have all developed a strategic plan. Some strategic plans, inevitably, are better than others, and they have taken slightly different directions on their

strategic plans. All of them have elements relating to transport and education and training. Some of the strategic plans will involve land clearance, and issues such as that, and the preparation of the sites. That is also held within my budget, and I would use my budgets in that particular area.

[22] **Julie Morgan:** In terms of costing the strategic plans—

[23] **Edwina Hart:** I will cost them internally and look at the affordability issues within them. Some of the plans will fit very neatly into the other stuff that we are doing in terms of transport, which might already have been put into process. For instance, when I look at the revision of the national transport plan, one area that I will look at is the A40 to west Wales. Previously, people have said that there are not sufficient numbers for the improvements to be made, but when you look at the strategic links to the ports and so on, you could ask whether the A40 is something that the Government should revisit. That would also be the wish of the enterprise zone in relation to how communication links in. The two would neatly combine. When you look at the issues that I have in Ynys Môn, if the nuclear project comes off with Hitachi, you see that I will have to look at communication links, once again, on the A55. However, in transport terms, the A55 is already seen as a key route. So, we would look to enhance transport around it. That helps to deliver what the enterprise zone would want in terms of enhancement. It is about how the budgets work together.

[24] Fortunately, because I have the transport portfolio, I can make those strategic decisions about the enterprise zones much more easily. On the training offers, we have had enormous co-operation with the Deputy Minister with responsibility for training—who happens to be my Deputy Minister, Jeff Cuthbert—in a different bit of the portfolio. That has also helped. The strategic issues relating to ICT and broadband also lie with me, so I can make the decisions on that. I was able to ensure that the enterprise zones were prioritised in terms of broadband, because I have the budget provision to deal with those issues.

[25] **Julie Morgan:** The Deeside enterprise zone suggested to us that the zones in the north-west of England are moving at speed and are well resourced. Have you made any assessment about the level of resource going into zones in Wales compared with zones in England?

[26] **Edwina Hart:** Such comments are always very interesting—and I think that it is sometimes a question of perception, rather than reality. With regard to the resources that have been put into Deeside, in terms of its transport infrastructure issues, the fact that it has enhanced capital allowances—it was the first zone that the Treasury effectively agreed to give enhanced capital allowances—we see no difference to the zones across the border. There are perhaps issues, however, in some of the enterprise zones—Deeside is probably one—about where the control lies and who runs what. This is an issue that does come out sometimes, because of the lack of local authority involvement in the enterprise zones, which has probably been raised with you. Normally, in the main, local authorities help us with administrative work and liaise with my officials. Some local authorities feel that they should have a more hands-on approach in terms of the enterprise, but I have taken the very firm view that, in the main, I would like them to be private sector-led, with business leading the way. Obviously, I have made that decision in terms of the balance.

[27] When you have very active economic development departments within local authorities that have traditionally done work, they find this concept quite difficult—that there is something going on that is directly controlled by the centre, and that they have a slightly different involvement. However, I hope to overcome some of these difficulties by coming to a greater understanding with local government in terms of its role and function on the economy, tourism and transport in the future. In terms of budget cuts and changes, we all have to make sure that we are not duplicating effort, that we are not all chasing the same things and that, if

we are doing it, we are doing it in a strategic manner. I would not say that that is necessarily the case across Wales currently.

[28] **Peter Black:** That answer was interesting, because when we went to Pembrokeshire on Friday, the county council was intimately involved in the zone and working in partnership with the board. It struck us that that was a very good model, which worked very successfully. It was not looking at the control, but it was working to use it to enhance its work.

[29] **Edwina Hart:** That is due to the board's leadership in the area and the way that it has dealt with issues within Pembrokeshire; it is horses for courses. Some of the issues that are emerging are different in terms of the priorities of boards. Pembrokeshire has concentrated on the supply chain, it has cleared a plot of land that was purchased, and it is clearly focused on issues. The big issue for Ynys Môn is whether it is going to sort out some of the issues around biomass and what will happen with Hitachi. So, the board has looked at those wider issues, but it has also looked at the underlying things that are not part of those big decisions that can make the enterprise zone run. The chair of that board is from a tourism background, which is the other feature of the zone. It has been quite easy for those to develop—as is the case for Snowdonia. When that closes, it will be a very difficult area for whatever else comes there.

[30] It has also been quite easy for Blaenau Gwent enterprise zone in terms of identity, because we are talking about brownfield sites. There has been close alignment with advanced manufacturing, because the chair of the board also chairs the advanced materials and manufacturing sector panel. The local authorities are engaged at the appropriate levels. The Haven Waterway enterprise zone is a model of co-operation, but they understand in Pembrokeshire council that they work in it, but that the lead is still taken by the centre; they have just chosen to come in to help and assist where they can. That is a good local relationship.

[31] **Peter Black:** Is that the exception?

[32] **Edwina Hart:** No, it is not the exception. It happens in the main across the piece.

[33] **Peter Black:** Moving on to economic activity, what approaches have been taken to ensure that enterprise zones in Wales create as much additional economic activity as possible?

[34] **Edwina Hart:** We have asked the sector panels, especially as we have a focus on aerospace at St Athan and on advanced manufacturing on the Rhyd y Blew site in Ebbw Vale, to develop close relationships so that they can look to maximise the benefits of the enterprise zone. We are keen to prioritise activities and to pursue the maximum impact on those areas. That work is continuing. It is at its very early stages, because enterprise zones may have been around before, but their relationships have to be consolidated in terms of what is going on.

[35] When I speak to the chairs next week, I am going to ask them to start meeting more regularly as chairs—almost to appoint a chair of chairs—and to look at the national focus that we can develop for enterprise zones on best practice and what is required as to how they need to link formally into the sectors in a far more integrated way.

[36] **Peter Black:** How do you measure whether you are getting value for money as a Government in terms of what you put into that?

[37] **Edwina Hart:** Sometimes, some of the best activities are quite indirect, in terms of looking at value for money. I would have to look at the widest impact on the economy. If I was to take Ynys Môn as an example, if the Hitachi project goes ahead, which happens to be in the enterprise zone, we will be talking about creating 6,000 construction jobs over a period of 15 years if they build three reactors; those are permanent jobs. That wide impact will not

just be on Ynys Môn—it will be across the whole of north Wales. So, we would have to look at the impact and at our policies across the piece, because if the Hitachi project goes ahead, we would have to look at travel-to-work issues across north Wales, and from the west side as well in terms of what we would do.

[38] Also in terms of value for money, if there are investment proposals, we use the five case model to look at business cases, to make sure that they are supported and good. Individual projects are assessed in terms of their potential for job creation and job safeguarding, which is very important in these economic times, even in enterprise zones, and in terms of the investment levered in.

11.45 a.m.

[39] Of course, the final issue across the piece is what happens to the supply chain. Supply-chain issues outside the zone are very important, as the supply chain might not all be in the zone. If you are looking at value for money, you have to look at the impact of the company that you attract to the zone, how many direct jobs there are and what supply chains they use from outside the zone. I think that value for money is quite a complicated area, which we will have to look at further in the future.

[40] **Peter Black:** There are a lot of factors in that. I think that it comes down to how you measure success. In the last enterprise zones, 28% of businesses were new starts and 38% came into the zones from elsewhere.

[41] **Edwina Hart:** Exactly.

[42] **Peter Black:** Are you putting similar indicators in place for measuring the success of these existing zones?

[43] **Edwina Hart:** I think that we have learned some of the lessons from the previous engagement. You cannot have business rate relief if the company is being displaced. We learned that lesson straight away. Enhanced capital allowances are only for new investments; you cannot have it if you are already in there. It is quite important that those two safeguards are already there. With some of the issues, a mixed picture is already emerging, and tax relief is the most attractive element of the package of benefits. You also have the high cost of job estimates to take into account. It is an exceptionally difficult and complex area, but we are very aware of the displacement issues. With the schemes that have come in, we have tried to ensure that we do not encourage that.

[44] We also have to be aware of businesses that might set up with us and then leave when the benefits go. That is a key area that we will have to monitor as we go through it. There is a history of some companies that move just to have the benefits—they stay there for a few years and then, when something happens, they go elsewhere. That is something that does worry me. As you know, I was criticised for taking a while to decide to have enterprise zones in Wales, but that was because I was so aware of the Swansea experience, as are Mike and Peter, with displacement issues. It did worry me and we spent a lot of time on it. I am guided by the fact that we must not allow displacement to occur, so everything that we put in mitigates it.

[45] **Peter Black:** If the Government gives a grant to a company and it goes bust, it has to repay the grant. Are you able to treat the benefits within enterprise zones in the same way?

[46] **Edwina Hart:** Yes.

[47] **Ms Burke:** Certainly for the grant mechanism—

[48] **Peter Black:** But not in terms of rate relief and capital allowances?

[49] **Ms Burke:** The capital allowances are a matter for Her Majesty's Revenue and Customs and the Treasury, but certainly on the grants. The difference between business rate relief this time and the last time is that it was a blanket provision in the 1980s—when a business moved in, it automatically got business rate relief. I think that that triggered some bad behaviour. Now, we assess it on a case by case basis, looking for growth in those businesses. That helps to reduce any possibility of displacement.

[50] **Edwina Hart:** The business rate relief was very popular—we had 60-odd applications, and about 40 received funding. It was a mixed approach across the enterprise zones. I was questioned about the fact that it had not been taken up at all in Cardiff. The main influence on that was the short timescale that we had for the first one. We have learned the lessons from that and done a lot of training, and we have a bigger window of opportunity for how we will deal with the business rates this time around. We have had a much more vigorous look at the marketing campaign. To date, we have had some 6,000 hits on our website on these issues. I think that we are getting to grips with some of the issues now and learning the lessons. The turnaround was too quick last time, perhaps, and there was not enough advertising of the different business rates and support issues.

[51] **Jocelyn Davies:** In terms of something like the huge opportunity that you mentioned on Ynys Môn, and we heard from the chair of the Ebbw Vale enterprise zone that a very large employer could possibly be attracted there—in fact, that was the sort of business that he was looking for—those employers probably would not come because it is an enterprise zone. The benefits that could accrue to a massive business like that would be incidental. You are talking about preparing the community for that opportunity. That is what the enterprise zone can offer there.

[52] **Edwina Hart:** Yes, I think that it can. You can prepare sites, which we are doing in Blaenau Gwent, for the opportunity. You are quite right: some companies will come anyway. Enhanced capital allowances are definitely a lure, but we do not think that business rates are necessarily so much of a lure. Enhanced capital allowances in areas will help.

[53] Sometimes you have no choice as to which sites that you will go for. You are limited to the number of sites. We sometimes find that our education and training offer, because we train people all of the way through, is a significant part of how we can make the offer in Wales. We do not want to underestimate the fact that we still have assisted areas in Wales, and that makes them very competitive for what you can offer in terms of Government rates and so on, compared with some other areas across our border. However, in terms of the offer that we make across the board we think that we probably make the best offer in terms of the UK, and we have been complimented recently by companies on how quickly we are able to make that offer. As soon as we have a sniff of anything, we put a major team together to go through that company and every requirement that it wants. That is the only way that you can do business. It is a matter of having the agility, and Rob then gets involved in what we can or cannot offer. There is always someone watching what you are up to, with state aid rules and so on, and there is always someone in the wings wondering whether you are doing something that you should not be doing. That is irrespective of whether they are on an enterprise zone or not. Outside that, Chair, as you know, there has been a review taking place about my land and why I need to keep land everywhere, not just in enterprise zones. If someone wants to go somewhere, we must have it available for their use.

[54] **Jocelyn Davies:** Shall we come to you, Christine?

[55] **Christine Chapman:** Yes, okay. I just want to ask you some questions, Minister,

about the monitoring and evaluation. We have touched slightly on this. In your paper, your intended long-term impacts for the enterprise zones include, as you said, the stimulation of growth in the local economy and the creation and safeguarding of jobs. What assessment have you made against each of these objectives as to how successful you have been so far?

[56] **Edwina Hart:** We have been struggling with some of the issues around looking at key performance indicators. There are issues for us. It is a question of whether you do a straightforward 'jobs created' thing, which we do not think is relevant. We think that that approach has already run into problems across our border. So, there are a number of options. Do we just count the new jobs, or jobs, in which case you must make sure that you have the proper baseline figures? There is then my forecast and how I will do other wider measurements of that. Can I say that it is purely as a result of enterprise zone interventions that I have had these jobs, or is it, as the Chair alluded to, that some companies will come to an area anyway without any of this? So, we are currently developing a set of performance indicators that will mean that we could intelligently look at enterprise zones. I think that that is the only way that we can deal with that.

[57] We should be in a position to be sharing those towards the end of the year, if that is of any help to the committee. We feel that we want to encapsulate the wider impacts. If a company comes in and creates so many jobs, what jobs is it creating in the neighbouring supply chain? So, it is not just restricted to a certain enterprise zone, because the investment that we put into that enterprise zone in terms of capital allowances, clearing sites and so forth, can be measured by the fact that we have 500 jobs there and then a number of supply chain jobs outside it. So, do we count those in? We are keen to focus upon such indicators rather than measuring the traditional indicators. I appreciate that that might not satisfy the committee, but that is where we are in terms of the work.

[58] **Christine Chapman:** So, you are going to publish these by the end of the year. Do you intend, in the future, to publish regular updates against those?

[59] **Edwina Hart:** Yes. I will publish regular updates, but I will be discussing how we do it with the chairs. The chairs, actually, have not asked anything about having any targets. I think that it is quite interesting, considering that most of them come from a business background, that they have not said that, and it is because I think that they understand the difficulties of how you evaluate all of this. That is the key issue and discussion. We recognise that it is very important that we do account for expenditure in terms of public money, and that elected Members here must have a clear picture of what is going on.

[60] **Christine Chapman:** As you said, there are no specific targets but, as Peter mentioned, I think, you will know what success will look like when—

[61] **Edwina Hart:** Yes, when the sites are full.

[62] **Christine Chapman:** Okay. That is fine.

[63] **Mike Hedges:** I have just two questions, on rates. First, one of the problems with the last set of enterprise zones, particularly when the land was not owned by local authorities or by the public sector, was that they had the rate relief and all that happened was that the rents went up to match it. How can you ensure that that does not happen again? Secondly, as someone from Swansea, you will know that the term 'enterprise zone' in Swansea is used to describe a shopping area. How can you ensure that these enterprise zones do not turn into large shopping areas?

[64] **Edwina Hart:** They will not, because they have been specifically designated for purpose in terms of the industry that we would like to attract to them. You have only to look

at St Athan: they are not likely to let supermarkets go to the St Athan site when there is such enormous interest from the aerospace industry to go there. So, it is quite clear that that will not be the direction of travel in terms of what we do.

[65] You are right that there were issues about people putting up rents and so on, and we will have to monitor that carefully, but we have had no examples of anything like this in current applications on business rates. The applications that we had from the Haven were all from businesses that were established there and looking to take on new people to enhance opportunities, and that was useful. So, it is a question of watching it. I do not know whether you have anything to add, Tracey, because we are worried about this.

[66] **Ms Burke:** We were concerned about it, but so are the chairs and the boards. From the committee's visit, you will appreciate that the chairs and boards are mostly drawn from the local business area. They certainly have good local intelligence about their area, so we would hear pretty quickly if that sort of practice was going on.

[67] **Peter Black:** I said that I would raise a matter on business rates with you. When we were in the Haven, a director of a small engineering company approached me—you have changed the basis on which the application for business rate relief happens, and they have to provide three-year projections, as I understand it—and she was saying that the problem with her company was that it did not have certainty in terms of contracts. It often had short-term contracts, was living month to month and, sometimes, it was working on subcontracts as well, so she was concerned that that might preclude her from getting the business rate relief that was on offer.

[68] **Edwina Hart:** We will have a look at that, because that will not be the only company in that position across the piece. That is quite standard in terms of other things. We find that when we are trying to help companies out in terms of grants and so on.

[69] **Mr Hunter:** Yes, absolutely. In terms of small businesses, businesses that do not have long-term contracts and start-up businesses, it can have an impact across the board.

[70] **Edwina Hart:** The committee has my assurance that I will take that point up.

[71] **Jocelyn Davies:** Mike, do you have any more questions? I see that you are finished. I call on Paul, who has been looking pleased this morning since the Minister mentioned a certain road, I noticed.

[72] **Paul Davies:** Absolutely, I am very pleased with the Minister's comments earlier.

[73] I want to ask some questions about enhanced capital allowances, Minister. I know that you mentioned earlier that enhanced capital allowances will help. Are they a good tool to incentivise a business to set up in an enterprise zone? Are they the most appropriate tool to do that?

[74] **Edwina Hart:** The UK Government made the suggestion about enhanced capital allowances in enterprise zones, and we have been very pleased with our discussions with the UK Government and the benefit that we have had in terms of enhanced capital allowances. They are of interest to companies that have significant capital investment, which are the type of companies that we want to attract, but they are not attractive to all companies, and we have to accept that. They are part of a parcel of measures that we have to develop. In addition, in terms of capital allowances, I am always asked if there is more that I want to do on them, and there are people who think that, just like that, you can change the arrangements on capital allowances, but, of course, that is not the case. That would require further extensive negotiation with Treasury, which is picking up the cost, effectively, of enhanced capital

allowances, so I do not think that that will go any further. However, they will be attractive to some companies where there is a large capital investment, but not attractive to others. Our training offer is probably more attractive to some companies and the fact that they will have good support in terms of broadband and other stuff, or, sometimes, helping in terms of land clearance and development will be more attractive to others.

[75] **Paul Davies:** The evidence that we have received as a committee suggests that, to date, no business has made use of the enhanced capital allowances. That is your understanding.

[76] **Edwina Hart:** That is correct.

[77] **Paul Davies:** On that, what are you doing as a Government to try to encourage businesses to take up that incentive?

[78] **Ms Burke:** A decision was taken that the sites that have enhanced capital allowances would be used to try to attract new investment, because a lot of capital expenditure is needed in order to make the enhanced capital allowances attractive. So, we are talking about companies that will come, invest and spend a lot of money on capital expenditure. Sites were selected on that basis. Those sites are currently subject to various works—some remediation is needed to make them more attractive and to prepare them so that they are investment-ready for companies to come in.

12.00 p.m.

[79] We are actively marketing those sites now, and there is a considerable pipeline of businesses that are interested in locating there, but we are talking about major, significant investors here, and that is the way the enhanced capital allowances have been set up by Treasury. It is looking to attract major investors.

[80] **Paul Davies:** By designating certain areas within the enterprise zones, do you think this is the most appropriate way of seeking the outcome that we all want, which is an improvement in the local economy?

[81] **Edwina Hart:** We were asked by Treasury to look at how we would put capital allowances into the enterprise zones. We particularly looked at Deeside in terms of what part of the Deeside industrial estate would be appropriate for the enterprise zone. We had that discussion in the board. Elsewhere where we are putting them in, the board has been engaged in terms of the discussion, and it has made some of the judgments, has it not, Tracey?

[82] **Ms Burke:** It has indeed. Obviously, the board has to specify sites—that is a requirement by Her Majesty's Treasury and Her Majesty's Revenue and Customs. Those maps had to be formally agreed, so there had to be specific sites. Actually, under the Minister's powers, certainly in assisted areas—what we call the tier 1 assisted areas—the offer that the Minister can make through the traditional grant mechanisms for capital investment is often more attractive than the enhanced capital allowances would be. For some companies, if you do not have that capital intensity in their investment, then enhanced capital allowances are not as attractive.

[83] **Paul Davies:** Do you see this incentive as a tool to attract new businesses to the area, or to support existing businesses?

[84] **Edwina Hart:** New businesses, but, of course, if they do go on to these sites, as existing, and if there are new facilities coming in and new jobs, then they are eligible.

[85] **Paul Davies:** I know that the Silk commission has suggested that there is a possibility that the Welsh Government could actually buy additional allowances from the Treasury to enable more zones to benefit. What is your view on this proposal?

[86] **Edwina Hart:** May I dodge the question and say that I am waiting for the UK Government's views on Silk first?

[87] **Paul Davies:** So, you have no views whatsoever on this.

[88] **Edwina Hart:** The jury is out. Let us see what is going on with Silk first, shall we?

[89] **Paul Davies:** Okay.

[90] **Jocelyn Davies:** Minister, the Wales infrastructure investment plan annual report 2013 suggests that an additional £46 million has been allocated to support enterprise zones and wider business support and economic growth activity. Can you clarify how much of this has been allocated specifically to enterprise zones? Is that allocation of £46 million in addition to the £125 million previously identified in the infrastructure investment plan?

[91] **Edwina Hart:** This is why I bring the finance director.

[92] **Mr Hunter:** Of the £46 million, £13.5 million was allocated to capital schemes in Deeside and Anglesey. It is quite important, because within that £46 million, there were wider economic stimulus packages as well, and some of those will be taken up within the enterprise zones. At the moment, we do not know what proportion of that it would be. In terms of the £125 million, it is quite important to recognise that that was an initial estimate that was done some time ago when the policy was being generated. It is not a target that we are working to but, equally importantly, it is not actually a ceiling. We have a very strong pipeline at the moment of capital investment for enterprise zones, and it could well be that we exceed the £125 million. These figures are included in the £125 million, but that is by no means the limit for this.

[93] **Jocelyn Davies:** I see. So, the £125 million was a sort of guesstimate of where you might be—a ballpark figure. Mike wants to come in on this. Of the £46 million, there is £13.5 million that you can definitely identify as having gone to Deeside and Anglesey.

[94] **Mr Hunter:** Yes.

[95] **Jocelyn Davies:** Some of the rest might be going to enterprise zones, but through other means.

[96] **Edwina Hart:** On the other hand, when we report on the Wales economic growth fund, which I will be doing, we will be able to identify from any payments made out of that whether they are in enterprise zones. If it would be helpful for the committee, when we get that level of detail, we would be more than happy to share it with you. The science research facility in Menai park is directly related to the enterprise zone.

[97] **Mike Hedges:** What support do you expect Finance Wales to give to companies inside enterprise zones?

[98] **Edwina Hart:** I expect Finance Wales to give the support that we have agreed as a Government. It should be supporting Welsh businesses in the way that it can. Rob sits on the board of Finance Wales. As I pointed out yesterday, I will be reviewing the role and function of Finance Wales in the light of comments and, of course, the professor's report. I will certainly be indicating to them that it is very important that they support and have appropriate

liaison with businesses in this area. There is also a wider point about how well people know what Finance Wales does, whether it is going to focus on Wales and whether it has interests elsewhere. When there is Government money involved, it is important that we have a very vigorous discussion with Finance Wales, which we intend to have.

[99] A lot of companies are very complimentary about the help and assistance that they receive from Finance Wales. The ones that it rejects are less complimentary about the advice and assistance that they receive, but because of the large amount of public money that is going into it via those funds, it is important that these are managed and have the maximum benefit. I need to be reassured about some of these issues, and the reassurance process is about to start.

[100] **Jocelyn Davies:** Minister, we saw the presentation from Finance Wales last week and there was nothing specific for enterprise zones. The committee was considering doing an inquiry into Finance Wales, but we would not be doing that until next year. However, you have already announced a review. Perhaps we could co-ordinate things; we do not want to duplicate, we want to add value.

[101] **Edwina Hart:** May I say, Chair, that that would be most helpful?

[102] **Peter Black:** Do you have a timescale for your review?

[103] **Edwina Hart:** We are going through all the stuff currently with Finance Wales. Professor Dylan Jones-Evans's reports are bound to impact on Finance Wales. When is he due to produce a second report?

[104] **Ms Burke:** I am not quite sure when it is due. I would not want to commit him without checking.

[105] **Edwina Hart:** We will take decisions in light of his reports with regard to Finance Wales, so the timescale that you are talking about—

[106] **Jocelyn Davies:** It would be early next year before we could start on it.

[107] **Edwina Hart:** You could reap benefit of those reports as well, Chair.

[108] **Ms Burke:** We can send information to the committee about the date for Dylan Jones-Evans's second report.

[109] **Jocelyn Davies:** Okay. Ann, shall we finish on your question?

[110] **Ann Jones:** On supply chains and the impact on the local economy, which has been mentioned a couple of times, Minister, the evidence from Ebbw Vale said that it noted the positive employment effects that can result from supply chains. Given that I represent an area between two enterprise zones, what can the Government do to ensure that the local economies and the supply chains receive the benefits from the enterprise zones as well?

[111] **Edwina Hart:** We have started some very practical work across the piece on the supply chains. We have dealt with north Wales, particularly in terms of the nuclear industry, with specific supply-chain events in that area. We have looked at the wider issues around energy with regard to the Haven, and what opportunities there will be for supply chains around there. Officials are attending a number of meetings on supply chains across the enterprise zones, including Ynys Môn and Deeside.

[112] We are also working across the piece with somewhere like Snowdonia, because when

Trawsfynydd goes, what is going to happen there? We are looking at what we can put in there as part of a supply chain, and what is going to go in there. In many ways, we are doing work on the issues that you have probably identified as a committee. The supply chain is exceptionally important when these enterprise zones come in, and they bring enhanced benefits outside the enterprise zone for people. We are putting a lot of work into those particular areas.

[113] If the committee is interested, I am more than happy to provide a list of details on what we have done on supply chain activity, and what the proposals are in the future to give you a flavour.

[114] **Ann Jones:** That would be handy.

[115] **Jocelyn Davies:** Are you happy?

[116] **Ann Jones:** I am fine with that.

[117] **Jocelyn Davies:** Thank you, Minister. We would be very grateful if you could send us a note on the one or two things that you were going to clarify in writing for us.

12.09 p.m.

**Cynnig o dan Reol Sefydlog Rhif 17.42 i Benderfynu Gwahardd y Cyhoedd o'r
Cyfarfod
Motion under Standing Order No. 17.42 to Resolve to Exclude the Public from
the Meeting**

[118] **Jocelyn Davies:** I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 17.42.

[119] I see that the committee is in agreement.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 12.09 p.m.
The public part of the meeting ended at 12.09 p.m.*