



**Welsh Liberal Democrats**  
**Democratiaid Rhyddfrydol Cymru**

# Building a Stronger Economy

---

Consultation Paper on Economic Policy in  
Wales

Spring Conference 2014

Welsh Liberal Democrats

Ref: 2014/C-01

Printed by Welsh Liberal Democrats, 38 The Parade, Cardiff, CF24 3AD, published and promoted by Richard Thomas on behalf of the Welsh Liberal Democrats all at 38 The Parade, Cardiff, CF24 3AD

## Table of Contents

Purpose of Policy Document/ Background .....	2
Foreword .....	4
Core Questions.....	6
Challenges facing Wales .....	6
Economic instruments as a lever for policy .....	7
Deciding on the nature of the Welsh Economy.....	8
Creating the right environment for business.....	10
Infrastructure .....	10
Innovation and R&D .....	14
Skills.....	16
Supporting Welsh business .....	17
Silk Powers and how we would use them.....	21

## **Purpose of Policy Document/ Background**

This paper has been approved for publication by the Welsh Liberal Democrat's Policy Committee as a Consultation Paper, for debate at Welsh Liberal Democrat Spring Conference in Newport, April 2014.

This Consultation Paper has been prepared as the first stage in the development of new Welsh Liberal Democrat policy in relation to the economy. It does not represent agreed policy. It is designed to stimulate debate and discussion, within the Welsh Liberal Democrat party and outside. Not all of the questions asked by the consultation will become party policy and no question or statement should be taken as being Welsh Liberal Democrat policy unless it has been approved by Conference.

Based on the response a full Economy policy paper will be drawn up and presented to Conference.

Comments on the paper should be directed to

Morgan Griffith-David (Policy Officer) – [Morgan.Griffith-David@welshlibdems.org.uk](mailto:Morgan.Griffith-David@welshlibdems.org.uk)

Comments should reach us as soon as possible, and no later than 1<sup>st</sup> May, 2014.



## Foreword

*This paper asks the vital question of how we can build a stronger economy for Wales, whilst also encouraging a fairer society. How can we build an economy that works for the benefit of all, that spreads the profits and that is sustainable?*

*While the economic crisis of the last few years has had a significant effect on Wales and Britain, we are now moving out of this difficult time, and seeing the green shoots of recovery. GDP is growing, unemployment is down, yet Wales still lags behind much of the rest of the UK. It is now the time to build a firmer foundation for our future success. Sustainable prosperity will not be achieved by simply trying to turn the clock back and returning to how things were. We should instead rebalance our economy now, to make it fit for the future.*

*Each and every community in Wales has distinct problems, priorities and solutions. Centrally imposed 'one size fits all' measures not only reduce the autonomy of a community but will often fail to achieve the hoped for outcomes by ignoring the power of local information. At the heart of liberalism is the belief that individuals and communities should have the opportunity to flourish by making their own decisions about what goals to pursue and how to achieve them.*

*The first section of this paper covers the core questions which we as a party must answer, and will form the basis of our alternative economic strategy. The other sections cover the more specific issues of the structure of our economy, inward investment, creating the right environment for businesses, how to support businesses, and the Silk commission powers.*

*I intend this to be part of a discussion within the party, and with people outside of it, about how to boost the economy. The party must work together on other areas that are essential to promoting future economic growth. This paper represents a start on*



*updating the Welsh Liberal Democrats' policy on economic development. I look forward to reading your responses.*

**Eluned Parrott AM**

Welsh Liberal Democrat Spokesperson  
for Business, Enterprise, Transport and Europe.

## Core Questions

### Challenges facing Wales

The Welsh economy is in need of a serious overhaul. The Welsh Labour and Labour-Plaid administrations in Cardiff Bay have been ineffective in pushing through new solutions and have not placed enough emphasis on equipping Wales with the infrastructure and skills that are necessary to compete globally. The economy has serious structural problems.

The Welsh economy has suffered badly in recent years. Between 2008 and October 2009, the unemployment claimant count rose from 2.9% to 5.7%.<sup>1</sup> The number of young people not in employment, education or training (NEET) rose from 17.6% of 29-24 year olds in 2008 to 22.8% by 2010.<sup>2</sup> The Gross Value Added (GVA) of Scotland, Wales and Northern Ireland combined only produce 14.2% of UK GVA – Wales is a mere 3.6% of UK GVA. In terms of productivity, nominal GVA per hour worked is 15.4% below the UK average, only above Northern Ireland. The unemployment rate in Wales has risen by 3.6% between 2007 and 2012, higher than any other region apart from Northern Ireland (3.6%) and the North East (4%).<sup>3</sup>

Our approach to the economy is arguably the most important political issue of the day. It is essential that the Welsh Liberal Democrat's economic plan has credibility and offers both a detailed alternative to the government's plans and an attractive alternative to voters.

1. What are the perceived challenges for the Welsh economy? What are the possible root causes of challenges for the Welsh economy?
2. What economic plan is currently being delivered? What are the gaps in provision? What opportunities are under-utilised?
3. What should an alternative economic strategy for Wales include?
4. What are the key principles that we want to base our approach on?

---

<sup>1</sup> Research Service (2010), *Long Term Impact of recession*

<sup>2</sup> Research Service (2011), *Young People not in Education, Employment or Training*, p.2

<sup>3</sup> <http://www.ons.gov.uk/ons/rel/regional-trends/regional-economic-indicators/march-2013/regional-economic-indicators---march-2013.html>

5. What are the best international examples of specific policies or approaches which could benefit Wales?

### **Economic instruments as a lever for policy**

To achieve policy goals, policy makers can utilise our policy tools and economic levers. These encompass a range of options, such as government spending, regulation, taxation, and many other aspects of government. The common element of all economic instruments is that they effect change or influence behaviour. <sup>4</sup>

6. What levers are currently available to the Welsh Government?
7. What levers are currently available to Local Authorities?

---

<sup>4</sup> <http://www.who.int/heli/economics/econinstruments/en/>



## Deciding on the nature of the Welsh Economy

In recent years, there has been an ongoing debate on how best to provide government support for the Welsh economy, on the basis of how we believe the Welsh economy should be structured. Traditionally, more of an emphasis has been placed on inward investment; more recently, home-grown and indigenous businesses have been the target of Welsh Government policy.

Previous success in attracting inward investment from foreign companies on the basis of low labour costs and low land costs was not sustainable in a global marketplace. Low cost labour and land was not a workable and unique selling point for Wales, and the Welsh Government has yet to find another. Wales has consistently had trouble marketing Wales abroad effectively since the Welsh Development Agency was abolished.

More recent government strategies have focused on the need to invest in smaller indigenous businesses that are likely to retain profits in Wales. The indigenous businesses model offers a situation where a greater number of businesses are based in Wales and where we are less reliant on global economic trends. However, the foreign investment model offers a situation where we can create large numbers of jobs more quickly.

One of the core sources of external funding for Wales is European Union level funding - since 2000, our economy and people across Wales have benefitted from some £4 billion of EU Structural Funds.<sup>5</sup> Between 2014 and 2020, much of the next Welsh Assembly term, Wales will receive some £2 billion. This covers programmes such as the European Regional Development Fund, the European Social Funds, Structural Funds, Rural Development Plan and others. We must consider how best to use this money, and what infrastructure could be supported by it.

8. What sort of balance should we aim to strike between inward investment and promoting indigenous businesses?
9. How do we define an 'indigenous business' for Wales?

---

<sup>5</sup> <http://wefo.wales.gov.uk/programmes/?lang=en>

10. What would drive more inward investment? What are the current barriers to inward investment?
11. What is Wales' unique-selling proposition (USP) and how should we brand the country for overseas investors? What work needs to be done to improve this USP?
12. How can we best identify areas of promising export potential and encourage them?
13. How should the Welsh Government utilise our European funding streams such as the Regional Development Fund and convergence funds?

## Creating the right environment for business

### Infrastructure

Public infrastructure is a long-term driver to economic growth in a developed economy. Wales needs the infrastructure that allows people to access opportunities and attracts the investors to create them.

However, we must be aware that we cannot plan for all the infrastructure needs of Wales's future today. We do not know what the next technological steps will be, what the leading industries will be in Wales or what their infrastructure needs will be. Thirty years ago, no-one would have predicted the need for Wales to invest in broadband internet. We cannot predict today what we will need in thirty years' time.

In the past, we had proposed a Jobs and Growth Innovation Programme, which would have had an annual budget of £20m and would have identified projects, primarily capital projects or seeding-funding for revenue projects, that would have boosted the Welsh economy in hi-tech industries in the future. It would have assessed infrastructure needs semi-independently of government.

Transport infrastructure is critically important. Companies seeking to invest need to be assured that potential staff can access their working locations and meeting points efficiently, and that the freight infrastructure can cope with transporting both supplies and outbound products. A modern and efficient transport infrastructure also sends the subliminal signal that a location is 'open for business'.

The recent announcement of that the Great Western Mainline would be electrified as far as Swansea as well as the totality of the Valleys Lines has been a success of the Liberal Democrats in government. Alongside the announcement of direct services from South Wales to Heathrow, this represents the biggest investment in the Welsh railways since the Beeching Axe. However, there are serious proposals to build on this to develop a South Wales Metro<sup>6</sup>. We should consider what developments we believe could be brought in alongside the development of the south Wales rail network.

---

<sup>6</sup> *A Metro For Wales's Capital City Region*, Institute of Welsh Affairs (2011)

Outside of the south Wales infrastructure, we should also consider how to improve rail transport in mid and north Wales. For example, do we consider greater frequency a priority or should that money be invested in opening new stations before we invest in greater frequency?

The Third Assembly's Enterprise and Learning Committee in January 2010 said that,

*"The only parts of the Welsh rail network that are currently considered part of the Strategic Freight Network are the Great Western Main Line as far as Port Talbot and the Marches Line from Newport to Wrexham and from Chester to Shrewsbury"*<sup>7</sup>

This clearly places the western half of Wales at a competitive disadvantage, especially as a number of major ports, including Swansea, Milford Haven and Holyhead are excluded from the strategic network. There is also little provision for the development of the freight network in Wales beyond 2014.

As the cost of fuel increases, many firms will be looking to reduce the cost of transport by increasing use of rail freight. Inward investment could be stimulated by ensuring that there is an extensive freight network with access to major ports.

Despite efforts to move as much freight as possible onto the rail network, there is still likely to be a significant demand for road haulage. For major inward investors, links to other commercial centres and ports are vital, as are efficient access routes for staff.

Our digital infrastructure is another vital element of support for businesses. It allows them to grow and compete in a global market, to access a wider customer base, adopt new and innovative marketing practices for promotion, or access new services and information to help keep costs down. Access to broadband and mobile service is becoming an increasingly integral part of the social, economic and cultural development of the people of Wales. For too long in Wales we have languished at the bottom of UK league tables in terms of broadband speeds. There are few topics that have been more wide reaching, or sparked more discussion, than the need to build better broadband and

---

<sup>7</sup> *Future Railway Infrastructure in Wales*, National Assembly for Wales Enterprise and Learning Committee (2010)

mobile infrastructure to bring everyone online in this digital age. Over the years Wales has suffered with a lower proportion of households able to access broadband than any other part of the UK.

The FSB report 'Our Place in the Country' found that a lack of access in rural areas to fast and reliable broadband was a barrier to success for nearly one in five businesses surveyed.<sup>8</sup> According to a survey by the FSB in 2012, almost nine in ten of their members claim a mobile phone is important to their business operation; over half of these encounter a lack of mobile phone signal 'very' or 'quite' often. According to recent research by Regeneris<sup>9</sup>, commissioned by BT, superfast broadband could lead to an annual increase of 0.3-0.5% GVA. For every £1 a business invests in superfast broadband, this will create £15 in additional GVA for the UK economy.

It's not just about accessing new markets; broadband is key to everyday business activities, from contacting customers, ordering supplies, sourcing new tariffs for energy and services or managing finances.

We welcome the investment being made by the Welsh Government, the UK Government and the EU to deliver next generation broadband for Wales, but we need to look at innovative options if we are to succeed in delivering better communication infrastructure in rural Wales and we urge the Minister to accept our motion as it stands.

The Welsh Liberal Democrats have previously campaigned for:

- ensuring that the Access Broadband Cymru scheme is widely advertised and improved;
- examining the planning system to ensure that planning rules support the development of digital infrastructure;
- examining support for businesses to improve their ability to compete worldwide through better access to digital services;
- making universal access to broadband an obligation for providers;

---

<sup>8</sup> FSB Wales 'Our Place in the County: The FSB Wales Agenda for Rural Business' p.3

<sup>9</sup> 'Investing in Broadband' [http://www.btsocialstudy.co.uk/investing\\_in\\_broadband.html](http://www.btsocialstudy.co.uk/investing_in_broadband.html)

- and for the Welsh Government to work with Ofcom and network operators to investigate the shared provision of infrastructure in rural areas to maximise coverage.

We must consider how best to address the issue of our digital infrastructure in the future. We need to assess in what general areas we wish to develop infrastructure in the medium- and long-term.

14. How can we best develop our transport infrastructure, including passenger and freight rail, road and air?
15. How can we best develop our digital infrastructure?

## Innovation and R&D

Welsh Liberal Democrats must believe that public support for innovation and research and development is essential to creating a more sustainable and more vibrant economy.

Innovation is the process by which new ideas are brought into the products, services and processes that comprise our economy. It is the only long-term guarantor of economic progress and environmental sustainability. Innovative firms grow twice as fast as other firms, both in terms of employment and sales. For the economy as a whole to move forward it is vital that businesses and other agencies are more innovative.

Innovative firms trend towards growing the fastest and accounting for a disproportionately high growth in employment. Innovation occurs in lots of industries, i.e. it not just sunrise industries where innovation takes place, however innovative firms do tend to cluster together.

There are public benefits to investing in innovation and research. One study has estimated that as much as twice as much benefit to the public at large as there is to the private sector if we invest in research.<sup>10</sup> The Coalition Government has frozen (in cash terms) the research budget.

However, Liberal Democrat MPs are calling for a strengthening of this budget in the future<sup>11</sup>. We should work with our colleagues in Westminster to ensure that science (and research specifically) is prioritised by the UK government.

In our manifesto in 2011, we called for:

- A pooled budget for government-commissioned scientific research, so it would be commissioned on a less *ad hoc basis*
- Protecting overall investment in science in real terms and facilitating greater research money coming into Wales.<sup>12</sup>

---

<sup>10</sup> "Identifying technology spillovers and product market rivalry", Nicholas Bloom, Mark Schankerman and John Van Reenen (2010).

<sup>11</sup> "Developing a future: Policies for science and research" Julian Huppert MP (2012). Available: <http://www.libdems.org.uk/siteFiles/resources/docs/policy/SciencePolicy.pdf>

<sup>12</sup> *Wales Can do Better* Welsh Liberal Democrats (2011). p14.

16. What barriers exist around fostering innovation? What more could and should the Welsh Government be doing? What role should public procurement and co-investment take?



## Skills

Many employers<sup>13</sup> are concerned about the low skill levels in Wales which can affect productivity and is therefore a source of competitive disadvantage relative to other areas. Basic skills attainment is 1% lower in Wales than across the UK as a whole, and 4% lower than Scotland. Higher Skills attainment is 3% lower than across the UK and 7% lower than Scotland. Wales is lagging behind at least two of its competitor regions.

In order to achieve sustainable prosperity we need to ensure that we have a sufficient and appropriate skills base (both current and future) and that groups are not left behind. Given that the cost of employing staff in the UK is higher than in many other EU countries, Wales cannot present itself as a low-wage destination for foreign investors. A high-skill-base is a critical aspect of a quality-led market position for Wales as a business location.

17. How can we improve the skill level in Wales? How can the training system be made more responsive to recent and local job market trends?

---

<sup>13</sup> For example, Rosser, David, "Why education must be the top priority for the new government" (Western Mail, May 11<sup>th</sup> 2011). Mr Rosser is the director of CBI Wales.

## Supporting Welsh business

Providing support to Welsh businesses to develop and grow is essential to the sustainability of the Welsh economy.

The success rate of start-ups can be increased significantly if they have access to good, flexible and supportive local business advice, rather than tick box online training. For instance, 90 per cent of start-ups supported by BizFizz, an organisation developed by the New Economics Foundation and the Civic Trust to provide such support, were still going after four years.

Access to finance is one of the biggest problems facing business in Wales today. Banks, the traditional source of lending, are still not making credit available to many small businesses and as a result many are struggling to expand or to maintain their businesses with declining customer bases or to overcome cashflow issues. The Welsh government has little control over how banks lend to businesses, but we should consider how best to ensure that more financial resources are accessible to Welsh businesses. The Welsh government currently owns a merchant bank, Finance Wales, which finances small and medium-sized business. However, under EU law, the Welsh Government is not able to involve itself in the day-to-day decisions of the bank. We may wish to consider how we can best support the efforts of Finance Wales in expanding its role, bearing in mind that the Welsh government will continue to be responsible for some of its debts.

The market has also partly responded to the shortfall in SME lending with the development of innovative, online lending platforms that bring together potential borrowers with potential lenders - often referred to as 'crowd financing' or 'peer-to-peer lending'. This approach avoids the regulatory obstacles facing banks but the sector is increasingly concerned that lack of regulation puts it at risk of entry by irresponsible players and is calling for proportionate regulation to help this fringe activity become mainstream.

The most important local asset, often ignored, is the imagination and energy of local people. As Liberal Democrats, we do not believe there is a shortage of imagination or enterprising people but there is a shortage of confidence and a shortage of local

institutions capable of supporting them. How can we best enable local people to benefit their communities?

We want to create an environment whereby the public, private, not-for-profit sectors and local communities can work together so that businesses can enhance their competitiveness and individuals can secure employment and fund improved living standards.

We should also consider how we can best establish forms of credit for businesses. The most simple way to establish a Welsh commercial bank would be to reclaim the "Bank of Wales" title and establish a new business-oriented bank. The title is currently-owned by the Treasury and so could be released easily enough, but there would need to be capital to go with the establishing of the bank, and it would need to be completely independent of the Welsh government. We would also need to ensure it fulfilled a different role to Finance Wales.

Secondly, we could facilitate support for a Business Credit Union, which would be Wales-wide and operate in a similar manner to personal credit unions. Businesses would become members of this institution and would be able to borrow from it. Again, there would probably need to be some capitalisation from government and it could take a significant period of time for the capital to build up to a suitable level.

Finally, we have previously supported a Welsh Stock Exchange<sup>14</sup>. This would create a lower-tier stock exchange system for medium and larger Welsh businesses who wished to move towards trading in stock as a way to generate capital. Currently, businesses need to list on the London exchanges, which is often costlier and can be more risky. It is estimated that a Welsh Stock Exchange would ordinarily be profitable, but would need around £1m per annum over the next few years to reach that position during a recession. There would also be to additional advantages to a Welsh Stock Exchange. Firstly, it would create a link between Welsh capital and Welsh businesses helping to ensure that money stays in Wales and secondly, it would raise Wales' profile on the international stage.

---

<sup>14</sup> <http://www.telegraph.co.uk/finance/personalfinance/investing/6345226/Give-Wales-its-own-stock-exchange.html>

We should consider whether or not we believe that these are viable options for the government to pursue in the short-term and how we would fund them if on-going revenue funding were required. We should also consider if there are other options for increasing the availability of capital to businesses in Wales and whether we believe the cost is sufficiently minimal that we can afford to do so in difficult economic times.

Another element affecting businesses is business rates. Business rates or non-domestic rates are one of the highest costs for start-up businesses, according to the Federal of Small Businesses. The Welsh Liberal Democrats have been particularly critical of the current system for business rates (and rate relief) in Wales in the past few years. When the party responded to the Welsh government consultation on business rates<sup>15</sup>, we highlighted the need to reform business rates in order to:

- Avoid the scenario whereby improvement of premises increases their value and therefore their business rate.
- End huge rises in business rates when values increase.
- Change the role local authorities have in collecting and retaining business rates.
- Extend business rates relief to more community facilities.
- Determine whether Wales would benefit from adopting the same accounting arrangements as Scotland and Northern Ireland do.

The response of the review group was published<sup>16</sup> and the headline recommendation was that local councils should keep one half of the business rates raised in their areas, in order to incentivise growth. The review highlighted the side effect of business rates as a factor behind empty town centres. The review also touched on the other issues we raised. We should consider how we can continue to make the case to reform business rates to make them fairer for smaller businesses.

There are several other proposals. One such proposal is to vary business rates based on local footfall, and give local authorities a discretionary power to designate town centres and district centres as specific local footfall business rate zones. This could help ease the

---

<sup>15</sup> The consultation is republished here, in a similar form to the original.

<http://www.clickonwales.org/2012/02/tax-policy-can-power-economic-development/>

<sup>16</sup> <http://wales.gov.uk/docs/det/publications/120612businessratesreviewen.pdf>

burden of rates faced by small businesses when footfall, and thus likely business, is low. We must, however, consider the best way to measure footfall in an efficient way.

At present, there are different types of car parks that can be rateable, and various factors have to be taken into account by valuers. According to an Enterprise and Business Committee investigation, out-of-town car parks, including privately owned car parks, can be subject to business rates but each car park will be rated on a case-by-case basis. One possible policy is an additional levy on edge of town retail unit car parks, in particular units larger than 1,000 m<sup>2</sup> and with spaces for more than 45 vehicles. There could also be a duty on the Valuation Office Agency to assume a specific valuation factor for such parking when assessing the rateable values of out of town retail units.<sup>17</sup> This could help to encourage footfall back into town centres.

18. What impact is current Welsh and Coalition Government policy having? How can we improve on current policy? What other ideas could we consider?
19. Does any particular size of business or sector find it hard to access finance? How can we best provide them with finance?
20. What are the implications of new non-bank entrants into the investment and lending arena such as peer-to-peer lenders? How can we reduce the barriers that currently prevent alternative forms of lending institution from emerging, and support innovation and new entrants to the banking sector?
21. How can we best enable local people to benefit their communities?
22. Are the policy ideas outlined above feasible and desirable?
23. What are the benefits of arrangements such as Enterprise Zones and what could be improved?
24. What are the best proposals for reform of business rates? Should the rateable value of premises be more closely connected to the actual land use? Could we enable varying business rates by footfall?

---

<sup>17</sup> <http://wales.gov.uk/docs/det/publications/120612businessratesreviewen.pdf> p.34

## **Silk Powers and how we would use them**

We have regularly supported reforms to increase the responsibility that Welsh ministers have over the money they spend, but also to ensure that they have the right legal and financial powers to deliver a wide range of solutions to the challenges Wales faces, particularly in order to stimulate the Welsh economy.

We are very glad that the Coalition Government established the independent Commission on Devolution in Wales (the 'Silk' Commission) to review the present financial and constitutional arrangements in Wales. On November 1<sup>st</sup> 2013, the Prime Minister and Deputy Prime Minister announced in Cardiff that the UK Government had accepted the majority of the Silk commission recommendations.

The UK Government has said it will offer devolving income tax on the same basis as that legislated for in the Scotland Act 2012. This would mean that 10 percentage points of each UK tax rate would no longer be due to the UK Government. The Welsh Government would then be able to set a "Welsh Rate" to replace this, with revenues due to the Welsh Government but still collected by HMRC. We will not be able to vary the rates independently; this is known as the 'lockstep' mechanism. In other words, if we decided to deduct a penny from income tax, the bands would move from 20p to 19p, 40p to 39p and 45p to 44p. We could not move any of the bands independently of the others.

We have welcomed the Government's agreement with the Silk Commission that Stamp Duty Land Tax (SDLT), landfill tax, business rates and other smaller taxes would be devolved to the National Assembly for Wales and the Welsh Government. We also welcome the UK Government's announcement that the Assembly should be given the power to introduce specified taxes, subject to agreement of the UK Government. These taxes will greatly help to stimulate the Welsh economy, and we welcome their proposed devolution.

The devolution of SDLT could enable the National Assembly to address the acute housing crisis in Wales, by helping to lower the cost of developing and buying houses in Wales. The property market in Wales has distinct characteristics from elsewhere in the UK and devolution of SDLT would help Welsh Government policy better reflect this. The

Welsh Government response to the UK Government consultation on devolving SDLT claims that 'a devolved and reformed tax' could 'have the potential to promote jobs and economic growth in a way that would benefit both Wales and the wider UK'. Devolution of landfill tax will provide an excellent lever in a policy area that is largely devolved to the National Assembly. The UK Coalition Government's commitment to devolve business rates to Wales presents a once in a lifetime opportunity to improve both business rates and local communities. Greater control over business rates beyond the multiplier would allow the Welsh government to deliver a more coherent reform of business rates and encourage business investment.

In our submission to the Silk Commission, we asked for borrowing powers equivalent to those proposed for the Scottish Parliament – capital borrowing limit of 10% of the total capital budget each year, with a cap at around 10 times this. We also asked for a very small amount of revenue borrowing. The Silk Commission said that to be fully accountable for its spending decisions the Welsh Government should be able to influence the total of its capital spending in any one year as well. The Silk Commission recommended the Welsh Government has the capacity to borrow for capital investment on a prudent basis subject to limits agreed with HM Treasury. In addition, the Welsh Government should be given similar powers to the Scottish Government over borrowing for current spending to manage the volatility of tax receipts under the new funding system. The Government has in principle accepted the case for devolving borrowing powers and has proposed a figure of £500 million.

25. How would the Welsh Liberal Democrats propose to utilise the powers devolved in the Wales Bill?