

Economic Development & Transport Committee

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Date: 8 February 2006

Time: 9:00 – 12.30

Venue: National Assembly for Wales, Cardiff Bay

Title: Update on Knowledge Bank for Business

Purpose

1. To provide an update to Committee on the commercial support provided by Knowledge Bank for Business. The paper is being presented at the request of the Committee.

Background

2. On 27 September 2005, I launched the Knowledge Bank for Business (KB4B) on a pathfinder basis, working with around 50 companies. KB4B is designed to deliver coherent and tailored support to companies with high growth potential. It will be at the heart of the Assembly Government's new Economic Development and Transport (EDT) Department.

3. KB4B will play a major part in achieving the innovation and competitiveness objectives set out in Wales: A Vibrant Economy. Its business solutions team will focus on a discrete group of companies that can demonstrate accelerated growth opportunities and economic benefit. Tailored solutions are an essential element in boosting the innovation and growth potential of Welsh business.

4. At the time of launch, I confirmed that KB4B's eligibility criteria would be refined to help improve the identification of clients where public sector support would be most likely to generate economic benefit, with a view to enlarging the KB4B client group. The eligibility criteria (at Annex A) were circulated to all Assembly Members on 18 January. The criteria will provide KB4B with the flexibility to respond effectively to local market conditions and opportunities.

5. Since launching this initiative, 30 companies have been referred to the KB4B team as prospective clients. These additional companies are being assessed against the new criteria, and it is hoped that the client group could be increased to over 150 companies over the next two years, subject to evaluation later this year.

6. In developing the KB4B model, officials have been working to enhance, but also simplify, the service offering to one that it is flexible, fit for purpose and valued by high growth potential businesses in a

knowledge economy:

- Consultancy – so that KB4B operates within State aid rules, we have informed the EC that we will be using block exemptions to support client SMEs. This will enable KB4B to operate with a high degree of flexibility in providing specialist consultancy support to SMEs. Large companies are excluded but, in most instances, the case for providing grant-aided consultancy support to large companies is not compelling.
- Finance – complementary work is underway that will result in the pooling of grants within new Finance for Wales from April 2006. This is a major step forward in simplifying the grant regime and a useful milestone towards the policy objective of "One Grant". It will provide greater flexibility, particularly in the areas of R&D and training that do not have the same Assisted Area restrictions as Regional Selective Assistance (RSA) or Property Development Grant. An opportunity to refresh RSA to reflect the new landscape and make it more appropriate for knowledge-based companies will arise later this year.
- Training – the KB4B team has been working closely with ELWa to pilot its new Workforce Development Programme with a small number of KB4B clients. To provide a seamless service to clients, training solutions are being developed in consultation with KB4B. This will be an early win from the mergers.

7. In terms of recruiting the KB4B team, good progress has been made and key staff appointed to key business solutions posts particularly the Commercial Manager posts. Glenn Massey, appointed as Launch Director of KB4B, is returning to PricewaterhouseCoopers and is handing over the reins to a senior player from the private sector. Good account management is seen as a vital ingredient or precursor by all KB4B's client companies so recruitment of a high calibre team is considered to be essential if it is to be a success. The business solutions team within KB4B should be fully staffed by the end of March 2006.

8. KB4B is now up and running and the response from the business community has been positive. KB4B now has the opportunity to build upon this positive response and making a real difference to the prosperity of Wales by providing tailored business solutions to high growth businesses.

Action for Economic Development and Transport Committee

9. The Committee is invited to note this update.

Andrew Davies

Minister for Economic Development and Transport

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Annex A: Knowledge Bank for Business – Eligibility Criteria

Knowledge Bank for Business (KB4B) may work with the following companies:

- SMEs that:
 - have been trading commercially for a minimum period of two years; and
 - are trading profitably, with a minimum turnover of £3m; and
 - have a structured management team that is ambitious and committed to further growth;
and
 - are capable of at least doubling their turnover within a four year timeframe.

OR

- Large companies with significant growth potential and that have local design, innovation/R&D and management capabilities.

OR

- Companies of any size and maturity that have an overriding technology opportunity for Wales.

Location (within Wales), number of employees and sector are not driving factors in considering a company's eligibility, although our "spreading prosperity" objective calls for a fair regional balance across the portfolio.