

Economic Development & Transport Committee

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Date: 16 March 2006

Time: 9.00am to 12.20pm

Venue: Committee Room 3, Senedd, Cardiff Bay

Title: EDT Merger Progress Report

EDT Merger Progress Report

Purpose

1. To provide an update to the Committee on progress with the merger of the Welsh Development Agency (WDA) and the Welsh Tourist Board (WTB) with the Welsh Assembly Government, Department of Economic Development and Transport (EDT) creating the new Department for Enterprise, Innovation and Networks (DEIN).
2. The report aims to build on previous updates to the committee, and therefore will focus on what is new, and not repeat what has been reported previously.

Merger Management Process

3. A Programme Board, chaired by Gareth Hall, Director DEIN designate, meets fortnightly in the run up to 1st April 2006 to review the status of the merger action plan, to highlight issues and risks, and to ensure that appropriate action is taken.
4. The DEIN shadow senior management team has now been appointed. This comprises:

Interim Chief Operating Officer (Sharon Linnard)

Director of Transport (Robin Shaw)

Director of WEFO (Bob Macey)

Director of Tourism and Marketing (Jo Jones)

Director of Corporate Management (David Childs)

Director of Policy and Strategy (James Price, with effect from 22nd March)

5. This team, which meets ahead of the merger date, is focusing on streamlining the new organisational structure in line with the priorities in WAVE, the Tourism Strategy, and the Transport Strategy, developing new working practices and governance arrangements.

Update on new senior management structure

6. The opportunity has been taken to reduce the number of direct reports to the Chief Operating Officer by giving each of the Regional Directors all Wales lead responsibilities. In line with the name for the new department which spells out our priorities and approach going forward, Enterprise activities will be led by the Regional Director North. Innovation and Technology activities, which are currently being streamlined, will be merged into the Knowledge Bank for Business (KB4B) business area. The Director South East Region will take the lead on all Wales Property Development, with the Director Mid leading on 'holistic' regeneration and the Director South West leading on the delivery of Marina and Energy projects. As a consequence, the Director Infrastructure and Director Business Foundation posts have been removed from the structure.

Staff Deployment and Resource Planning

7. Currently, staff numbers in the merging bodies total 1760 (excluding board members). This figure is a reduction from 1820 in April 2005. Of this total, 190 people are being transferred into Assembly Government Corporate functions or other Policy areas.

8. As at 3 April 2006, DEIN will have circa 1570 staff. To date, the vast majority of this number, some 1540, have been posted to roles in the new organisation. It is anticipated that the balance will be appointed to posts within the Assembly Government by the end of March.

9. DEIN senior management team are developing a plan for re-aligning resources across the department, to enable specific business critical vacancies to be filled without increasing the overall total staff number.

10. The new structure reflects new Ministerial priorities, such as the establishment of Policy and Strategy team to challenge and evaluate activities and outputs, the Knowledge Bank for Business, a new Integrated Delivery team to develop and roll out new working practices particularly in key sectors such as Aerospace, with additional staffing resource in Transport for management of new rail franchise responsibilities, etc.

Advisory Panels

11. The advertisements seeking applications for the chair or membership of the Ministerial Advisory Group (MAG) and Tourism Advisory Panel (TAP) drew in strong fields. Two shortlisting panels have since considered the applications for the MAG and TAP accordingly. I have been notified of the results of the shortlisting processes and have in turn written to the two EDT Committee nominees, Christine Gwyther and Janet Davies, in respect of public appointments. The intention is for interviews of those on the shortlists to be held at around the end of March and following further contact with the EDT Committee nominees, I would hope that successful candidates will be informed around a month later. Members of the cross-departmental panel on skills will be drawn from the EIN MAG, and the DELLS

equivalent. These panels will have important roles in advising Ministers on policy development and delivery. I will provide a further update later in the appointments process.

Accommodation / Location

12. Some 100 posts will transfer to the new Assembly Government offices in Llandudno Junction in Spring 2008. These will be drawn from the Tourism & Marketing, Transport and Enterprise business areas. The WEFO headquarters is scheduled to move to Merthyr Tydfil later this year.

Key Performance Indicators

13. Development work has been undertaken involving cross-departmental working from across the current Welsh Assembly Government and merging ASPBs, and has been assisted through close consultation with business representative groups.

14. A medium-term KPI model is proposed covering four areas:

- a. Macroeconomic indicators primarily WAVE tracking indicators
- b. Outputs indicators consistent with current strategic indicators
- c. Customer Service a pilot survey of customer perception – wider business facing services including DELLS activity
- d. Internal business indicators primarily assessing human resource deployment and staff satisfaction

15. Baselines, where available and appropriate, will be put in place early in the new operational year once prior year data is available.

16. The establishment of a longer-term performance framework for the work of the Enterprise, Innovation and Networks Department will be a continuing priority for the EIN senior management team. This will be informed by the WAVE consultation, be cross-departmental, and engage with the business community. Key strands of work include:

- a. Strategic – KPI rationalisation, alignment and enhancement
- b. Technical – harmonisation and guidance
- c. Business Process – recording protocols, systems development

DEIN Merger Benefits

17. The following benefits, to be derived from the merger, relate directly to the key themes highlighted with the Minister in over 100 meetings with business and partner organisations, namely:
- a. Direct alignment of the forward policies, activities and structure of DEIN with the priorities in WAVE and other strategic documents.
 - b. Robust challenge of established thinking, programmes and practices through the establishment of the Ministerial Advisory Group, Tourism Advisory Panel and the Policy and Strategy Team.
 - c. Preparation of an integrated Business Plan 2006-07 covering all of the business areas in DEIN.
 - d. A single first point of contact with customers, not only with DEIN, but across the wider Assembly Government including DELLS and SJR. Designated account managers will assist clients in accessing the full range of services, from the provision of premises to staff and management training & development.
 - e. Joint strategic and operational planning with DELLS, SJR and EPC.
 - f. Joined up delivery of bespoke solutions for customers, not just within DEIN but across the Assembly Government and with partner organisations.
 - g. Shifting delivery as close to customers as possible through the regional offices with no diminution in delegated authority, will improve our ability to respond to local needs, opportunities and distinctiveness.
 - h. Bringing together capital grants (RSA, AIG, Section 4 Tourism Grant, SMART Cymru, Property Development Grant) into the new Invest Wales business area, with investment projects considered by WIDAB. The aim is to combine these grants into a single flexible investment fund for business.
 - i. Further rationalisation of business support programmes into a single, specialist support fund with the flexibility to procure from private sector sources.
 - j. Deriving synergies from bringing together Wales Trade International and WDA International Division into the combined Trade & Investment business area with single overseas offices.
 - k. Drawing together marketing activities from across the WDA into a single Tourism and Marketing business area.
 - l. Development of a single set of collectable and measurable Key Performance Indicators for DEIN, worked up in consultation with key customer representatives including CBI, FSB and RICS.
 - m. Agreed standards on the delivery of services to customers monitored against baseline pre-merger data.

- n. More efficient common support functions, such as finance, HR, IT, procurement and legal services, through new and expanded shared service centres.
- o. Levering in the strengths of the wider Assembly Government into the new Department, e.g., by adopting common finance procurement and compliance systems.
- p. Establishment of a single centre of excellence for due diligence and appraisal of business plans for DEIN grant applications.

Merger Savings

18. A £12m/20% reduction in overall running costs is planned by 2008/9. £2m of this saving has been achieved in 05/06 in the run up to the merger. However, the total level of efficiency improvements needs to be significantly greater than this in order to have resources available for new priorities. This will be achieved through 3 phases:

- a. A tightening on current spend through capping actual headcount at current levels and enabling new and vacant positions to be filled when savings are identified to fund them.
- b. A Review of all programme expenditure and its relative running costs. This will involve discontinuing activities deemed to provide limited or no added value, thereby enabling resources to be diverted to new priorities to ensure that programmes and policies support sustainable development.
- c. A re-engineering of EIN core processes and the way they are delivered.

Branding Update

19. In recent months there has been considerable progress in the development of a new Brand Strategy for Wales. This work has focussed on two main areas:

- a. Evolving the Wales Brand Strategy, and
- b. Creating New Service Delivery Brands for Tourism and Trade and Investment.

20. Building on the brand development work undertaken for tourism, new brand architecture for Wales is being created. This work defines the Domain Brand for Wales as well as specific positioning for tourism and trade and investment. The domain brand will influence future strategy and behaviours across all aspects of Wales promotion. There will be a considerable degree of synergy and an obvious relationship between all positioning. This will include common core values; a common style for marketing collateral; a common tone of voice for copy; and a common brand identity or logo.

21. New Brand guidelines, which will direct the implementation of this work, will be available for 31st March. A new logo has been developed and guidelines for usage are nearing completion. Usage of the new brand will then commence for all subsequent marketing communication which relates to the external marketing of Wales. Future work will examine how the brand can be flexed to cover living and working in Wales and studying in Wales.

22. Two new service delivery brands have been created for those parts of EIN that are focussed on external markets. The tourism service delivery brand will be "Visit Wales". Whilst the Trade and Investment brand will be "International Business Wales". These brands will adopt the new Wales logo as mentioned above. This will maximise impact and ensure that the emphasis, in the eyes of our customers, will be on the 'product' rather than the organisation.

Staff Engagement

23. The above benefits arising from the merger have been widely communicated and are well understood. Not all of these will be derived from 'day one'. Accordingly, we have embarked upon a series of 17 Reception courses involving all staff in the new department. Topics covered include an introduction to the Welsh Assembly Government and core Assembly processes such as HR, IT, Procurement and Finance.

24. There are a number of important personnel issues of particular importance to staff, such as pensions, that are being addressed through a detailed joint communiqué from management and Trade Unions.

25. EIN Newsletters, covering questions raised from across the organisation and clarifying changes, are being issued on a weekly basis. These are being supplemented by a video linked Q&A session with the Permanent Secretary and Directors of DEIN and DELLS, and informal visits to offices by the First Minister, EIN Minister and senior Assembly Government officials in the run up to and beyond the merger date.

26. Monthly video briefings, with teams across DEIN, highlighting new ways of working in delivering Ministerial priorities are being arranged. The February video, with an introduction by the Minister covers the Ryder Cup, with future topics to include KB4B, the Integrated Business Plan for 2006-07, Heads of the Valleys, Financial Services Sector, Integrated Delivery and Wales Rally GB.