

Written Evidence to the Enterprise and Learning Committee

The Implementation of Economic Renewal: a New Direction

1. Purpose

The purpose of this paper is to provide the Enterprise and Learning Committee (ELC) with written evidence to assist with its scrutiny of the implementation of Economic Renewal: a new direction.

2. Overview

This paper sets out the Welsh Assembly Government's response to some of the recommendations the committee made in December in more detail, as requested by the committee on the 21st January. It also sets out how delivery has progressed since the previous written evidence in October 2010.

3. Response to the Committee's Recommendations

The committee has requested more detail about responses to some of their recommendations.

Request - We would therefore like you to comment further on the transitional arrangements [for business support] that were in place in July 2010 immediately following the publication of the Economic Renewal Programme, and those that are now in place to support businesses; how that support is being communicated to the sector; and the timescale for when this will all be achieved.

We appreciate that suddenly changing our criteria for financial support for business had the potential to cause difficulties for companies whose Single Investment Fund (SIF) applications were already being considered, or had applications in advanced stages of preparation. To avoid this occurring, all applications that were already being considered for business support on the 5th July were considered under the existing terms and conditions. Applications that were received up until the 31st August were also considered under the SIF programme, and funding was awarded to high-quality applications as appropriate.

The new system of repayable financial support was implemented from the 1st September 2010. All applications for funding received since then have been considered fairly under the new way of working. We continue to monitor and improve our processes for awarding repayable financial support to ensure that all feel the benefits. For this reason, we chose to reject the committee's recommendation to taper funding.

Throughout the transition period we maintained the contact centre (03000 6 03000) for businesses and individuals to contact us with any questions they may have. We have been in contact with businesses directly through e-shots, which includes signposting to our website. We have recently issued communications materials setting out the offer for businesses, including a guide specifically targeting SMEs. The website and url have now been fully updated so all our web presence is consistent.

We accepted that more could have been done to communicate this information to businesses, and we have stepped up our efforts accordingly. With the appointment of all the sector panels and the involvement of stakeholder groups such as the Council for Economic Renewal, our communications as well as our support can be more targeted where it is most needed. Communicating and engaging with our stakeholders is a priority activity for the coming months.

Recommendation 3 - We would therefore like to know how you propose to target and monitor the impact of Government activity aimed at encouraging innovation. Furthermore, we would like you to explain how the Government will encourage innovation that can meet global market demand as well as encourage blue sky innovation.

The problem with using the percentage of GVA generated by R&D to monitor innovation is that it does not cover the full range of activities that make up “innovation”. We will track the share of GVA attributable to R&D as part of a suite of tracking indicators, including a standardised survey of innovation activity. This will give a more rounded picture than relying on a single, partial, indicator.

Our activity aimed at encouraging innovation will be targeted at the areas outlined in Economic Renewal: a new direction. For example, through the Business Innovation programme we will be encouraging businesses in key sectors to invest in R&D and harness its commercial potential. There will also be work undertaken to promote Wales as an innovative region, to ensure businesses are aware of the opportunities for innovation, and to maximise the take up of external research funding. We are committed to supporting innovation that is market-led. As already set out, a commercialisation strategy is required for all our R&D and innovation related investments.

We will also be working to increase the capacity of Higher and Further Education Institutions to work with businesses and ensure that investments are exploited for the benefit of the Welsh economy. There are a number of research groups and initiatives in Wales that have been successful in winning and securing significant amounts of Research Council Funding, such as the Medical Research Council Centre in Neuropsychiatric Genetics and Genomics at Cardiff University, and Swansea University’s partnership with Rolls Royce. However, Wales’ share of research council income is lower than the targets we have set. To further support innovation in Wales, we are driving forwards reconfiguration and collaboration between Higher Educational Institutions to increase the scale and scope of research groups within Wales.

Recommendation 5 - We would be grateful if you could clarify your response to Recommendation 5 and provide further detail on the various options that you are considering [to improve the provision of finance for business]

We accept that the wording of our response to this recommendation could have been clearer. Whilst we agree that access to finance is an issue, we are

approaching addressing the barriers companies face in accessing finance from a different perspective. The work done to identify gaps in the provision of commercial finance has indicated that our focus at this point should be on addressing the gap in provision of growth capital. This is best achieved through facilitating and leveraging private sector activity to address this gap rather than seeking to intervene directly in the commercial marketplace.

We rejected the business community bank recommendation on the grounds that it relates to start up/early stage rather than growth. We do recognise the difficulties businesses of this kind face; the original response outlined other action being taken to support these businesses. We have noted with interest the work done to gauge demand for the establishment of a bond market. Whilst initial considerations have been given to the merits of establishing one (and the Sector Panel may choose to give further thought as part of its work programme) if it is to be a serious proposition, it will need to be led by the private sector.

The range of options we are currently considering to improve the provision of finance, in terms of the supply of growth capital, include:

- seeking to influence the design and delivery of the new UK Business Growth Fund;
- introducing a new brokerage cross sector function to make the links between high potential businesses and potential investors; and
- seeking to stimulate the provision of additional private sector investment by leveraging public sector investment (we are currently sounding out the market on the most commercially viable way of doing so).

We are also working with stakeholders to address the barriers that businesses face in knowing what finance is available and what they need to do to secure it.

Recommendation 7 - We fail to see how agreeing to consider public/private partnerships as a delivery model [for next generation broadband] would stifle innovation or be seen to be prescriptive and we would be grateful if you could explain the basis for your response to Recommendation 7.

Again, we accept that the wording of our response could have been clearer. What our response expressed was a concern that appearing to favour an approach to delivery at this stage, including public/private partnerships, could be seen as prescriptive of the model we are seeking and could therefore stifle innovation. We will consider all commercial models for extending broadband, to find the most effective way to roll out next generation broadband for the smallest burden on the Welsh public purse.

At our industry event on 26 January (aimed at promoting the forthcoming next generation broadband procurement to the telecommunications industry), we have invited potential suppliers to begin considering how they would approach the task of working with us to improve broadband coverage in Wales.

4. Update on Delivering our Commitments

We have continued to make rapid progress in implementing Economic Renewal: a new direction. The following section sets out in detail what we achieved since the last written evidence was submitted to the Committee in October. We are on track to deliver the vast majority of our commitments within the timescales we specified. These are set out under the 5 themes of Economic Renewal: a new direction.

Now that the sector panels are in place and the staff structures are substantially populated, we are moving from implementation phase to “business as usual”. This is becoming routine Welsh Assembly Government business rather than a new policy direction.

a) Investing in high quality and sustainable infrastructure

Next Generation Broadband is a central plank of delivering the infrastructure our economy needs to thrive. We have completed the Soft Market Testing Phase, and issued a Prior Information Notice to OJEU on the 20th December. This is a key stage in the procurement process for NGB, and we are on track to issue the contract notice in February.

Mobile sites are currently being identified with a view to including them in the NGB procurement as “business locations that pay business rates” to ensure high-speed backhaul to all mobile sites. This is a crucial part of enabling mobile companies to offer high-quality network coverage in remoter areas. We are developing an Action Plan and a recommendations paper for tackling mobile coverage, both to be published in Spring 2011.

For business site infrastructure, we have reviewed our property assets and we have identified properties with potential for sale in 2011/12. The phased marketing and sales programme is due to commence in February. We are on schedule for achieving the necessary receipts for the financing of our next generation broadband commitments.

A review of the Wales Property Database and its ability to provide market information has started. The review will highlight how we may provide information on sourcing suitable premises more effectively to businesses. We intend to undertake market consultation in the Spring. Our offer to business in areas of market failure is being developed, and we aim to have it completed in time for the 2011/12 financial year.

b) Making Wales a More Attractive Place to do Business

We are considering pilot Planning Advisory Surgeries for small businesses to gain a better understanding of the planning process. These could be held across Wales during Spring 2011. To make the planning system easier to understand, we are developing an on-line guide for business for launch this year.

We committed to making procurement more accessible to businesses. Testing of the online supplier qualification information database will commence shortly

with a view to 'going live' in May 2011. The National Procurement Website is due to go live in March.

The Deputy First Minister has spoken recently about the need to invigorate the Welsh brand, to tackle negative perceptions of Wales. Marketing campaign proposals have been developed for in-Wales and UK activity starting from January. The "Wales Brand" framework is in advanced stages of development and due to be presented to Ministers shortly.

The impact of regulation on business has been raised and raised again as part of Economic Renewal. The Counsel General's review of legislative process recommendations were considered by Cabinet on the 17th January. The Counsel General will shortly be writing to the Permanent Secretary asking her to consider the recommendations relating to administrative processes, which are for her to take forward.

It is important that the workforce feels well to be able to do their best at work. Development of a Health, Work and Well being Action Plan for Wales is underway, to be submitted to the Minister by the end of March 2010

c) Broadening and deepening the skills base

The success of our economy depends on how well prepared the workforce is to excel. Often this comes down to the skills of employees. The renewed Employer Pledge Programme is now being implemented across Wales to help people gain basic skills. We will be carrying out an interim evaluation at the end of 2011, to make sure that what we are doing is making a difference where it is needed. An evaluation of ProAct has been completed and shows very positive results regarding impact and value for money.

Officials are meeting with anchor businesses and regionally important companies to further develop relationships and explore needs. The first visits are taking place in February. A portion of the Workforce Development Programme will support investments with anchor businesses from April 1st 2011. Job creation will be a key measure in determining the level of investment in skills with businesses, as we set out in Skills Growth Wales. Support to businesses in priority sectors will be targeted where employment and growth potential is greatest, to make our investment in skills work hardest for those who want to find work.

The Leadership and Management programme has established a Centre for Excellence, "Leadership and Management Wales" to demonstrate the 'bottom line' benefits to businesses. To make this information more accessible to businesses, Leadership Management Wales have developed a web tool to make publicly available quality and 3 month impact information about the training delivered. A business to business radio campaign to encourage businesses to take up Leadership and Management training will be launched in the Spring.

To be able to compete in this high-technology world, the Welsh economy needs employees with STEM (science, technology, engineering and maths)

skills. The National Science Academy now has 26 delivery agents across Wales undertaking a variety of activities, including 3 hubs. Techniquet Glyndwr has been awarded a grant to undertake a project focusing on employer engagement with schools and young people. Swansea University, acting on behalf of Wales Institute of Mathematical and Computational Sciences (WIMCS), are undertaking a pilot project in continuous professional development (CPD) for teachers in Maths, Physics and Chemistry at Secondary level.

A contract with the British Science Association will increase the uptake of CREST¹ Awards in Wales by at least 600 new projects. This is addition to the new opportunities for CREST in Wales that were featured at 5 different events in Wales, reaching more than 120 teachers and lecturers. 22 grant projects have recently been awarded and we are in the process of procuring 2 further hubs for the coordination of STEM activity.

The Transformation Policy has stimulated and supported a number of change programmes in Higher and Further Education Institutes across Wales. There has been a particularly good response from the Further Education sector, with four mergers achieved and two others in progress. Investigations are beginning to examine alliances between further education institutions (FEIs) and higher education institutions (HEIs). Universities and work-based learning providers have also been involved in the development of a number of key proposals, for example, the development of strategic regional planning in the Heads of the Valleys area.

We will continue, within the *For our Future* strategy, to drive reconfiguration and collaboration, increasing the scale and scope of research groups within Wales. HEFCW will introduce a new method of funding research from 2011/12. A mechanism has been established for Higher Education Institutions, via HEFCW, to engage direct with the new Sector Panels.

d) Encouraging innovation

A timetable for the development of a new innovation strategy, alongside the Assembly Government's science policy, is being agreed. To allow for full consultation and the election period it is anticipated to be launched in October 2011. In the intervening period, we will continue to drive forward the work planned to encourage innovation.

A "Business Innovation" business plan has been finalised with WEFO. Delivery against early actions in the plan is underway. The plan includes actions to increase the innovation capacity of Welsh business to improve their competitiveness in key sectors.

The review of Techniums finished and the conclusions were announced in November 2010. Significant progress is being made in delivering the new way of working. The new model is due to be in place by March/April. Future plans

¹ CREST is Britain's largest national award scheme for project work in the STEM subjects

for ECM2 in Port Talbot are under consideration in light of changes to our business support facilities as well as Economic Renewal.

Officials are considering the potential that the Technology Strategy Board's Technology and Innovation Centres initiative could have for Wales. There is the possibility to have a Wales centre, or partnering with other centres which will deliver an economic benefit for Wales.

The business plan for A4B has been revised to deliver the priorities set out in Economic Renewal. Delivery of early actions is underway. A mapping review of HE funding successes in innovation is underway and nearing completion. This will help support businesses and HE establishments in accessing external research funding, and will also contribute to the development of the sector strategies

The Welsh response to the consultation on FP8 – the next funding cycle of the EU Framework Programme for Research and Technological Development – launched in October 2010 has been submitted to BIS to inform a UK Government strategy paper on UK priorities for the future development of the Framework Programme from 2014. This will be presented to the European Commission in advance of the publication of their first communication on the next Framework Programme.

e) Targeting the business support we offer

All interviews have been completed for sector panels membership. The Creative Industries panel has been in place since November.

The sector teams are in place, with interim heads of sector where final appointments are yet to be made. The first meetings of the panels will be organised once the sector panel appointments are confirmed.

The training plan and associated budget for sector panels has been approved and the Terms of Reference and Terms of Engagement for the Sector panels are to be finalised. Officials are establishing what sector research and mapping is already in existence, so that a gap analysis can be completed.

The review of sector fora has been completed, for consideration by the sector panels as an early priority. Recommendations for future engagement with sector fora are expected in the Spring.

To mark the start of Global Entrepreneurship week, the Youth Entrepreneurship Strategy (YES) Action Plan 2011-2015 and Big Ideas Wales Campaign were launched on the 15th of November. Proposals are now being developed to implement actions, including the setting up of the Monitoring Panel.

A draft evaluation for start up services has been presented to officials, who are now working through recommendations with regard to the future procurement and alignment to Economic Renewal. This is due to be presented to Ministers in January 2011.

Work has been undertaken to develop a Business Entrepreneurship Champion Network and a proposal on the recruitment of future champions will be presented to Minister later this month.

Work has been completed on the proposed model for the Business Volunteering Mentoring Framework which includes a detailed delivery model, costs and marketing plan.

The external review of the Regional Centre Service is now complete; the review considers alignment of service with Economic Renewal and offer future recommendations for delivery. Recommendations are due to be presented to ministers in February 2011.

The regional teams are being established, and the Regional Priorities Fund is due to be launched at the start of 2011/12.