

Economic Development Committee EDC-11-00(p.4)

Date: 22 June 2000
Venue: National Assembly for Wales, Committee Room 1
Title: Future Location of the TEC Enterprise Functions:

Covering paper and recommendations

Purpose

1. To provide the Committee with an analysis of the responses to the second consultation (EDC-11-00 papers 5 and 6 refer). To provide recommendations on the future of the enterprise function, particularly who should take on responsibility for the organisation and administration, and how the effectiveness of the functions should be monitored.

Recommendations

2. It is recommended that the Committee:

- agrees that the responsibility for the non-skills related enterprise programmes should transfer to the WDA regions (subject to the conditions set out in paragraph 12);
- notes that further work is required to identify rationalisation savings and to set up effective monitoring and quality control mechanisms.

Background

3. The Economic Development Committee is charged with making recommendations to the Assembly Secretary for Economic Development on the future location of the Enterprise Functions currently being undertaken by the Training and Enterprise Councils. Responsibility for the skills-related programmes will transfer to the Council for Education and Training for Wales.

Schemes

4. Details of the schemes can be found in Annex 1. The main enterprise programmes are: New business starts (£1.3 million); Sole Traders Initiative (£0.4 million); Diagnostic and Consultancy Scheme (£1.4 million); and schemes funded from TEC surpluses and Local Initiative Funds (estimated at £2.55 million for 1999-2000). Associated staff costs for enterprise functions are £2.3 million.

5. These schemes are administered by each TEC, (under contracts with the National Assembly) but are generally delivered through contracts with other agencies (primarily Enterprise Agencies).

Consultation

6. The Committee consulted interested parties on this issue, by way of a written consultation exercise which was issued in February. No clear consensus emerged from the responses (EDC-08-00(p6)). The Committee decided it needed further advice before being able to make a recommendation. It asked Business Connect, as a partnership of service providers and users, through its all-Wales Management Board and its regional boards, to provide further advice. It expected that Business Connect would draw on the knowledge and experience of the Council of Welsh TECs in formulating its advice. Members of Business Wales were also invited to make further submissions.

7. The response from Business Connect Wales, and its four regional bodies, are contained in EDC-11-00(p5), and the responses from Business Wales in EDC-11-00(p6). Representatives of the Business Connect Wales Management Board, the TECs, the CB and FSB will be present at the meeting to discuss their submissions with the Committee.

Principles for a decision on location of the ETAG functions

8. The Assembly has endorsed the principle of locating the skills-based enterprise functions of Investors in People, Small Firms Training Initiative and Management Development with the new Council for Education and Training Wales.

9. For the remaining functions the following principles were agreed:

- that the solution should avoid further fragmentation or duplication;
- that, unless there is a compelling reason to do otherwise, the services for business start-ups, the sole trader initiative, and the diagnostic and consultancy services should be kept as a package;
- that the responsibility should transfer to organisations who already have client access and expertise;
- that the new arrangements must allow for monitoring of effectiveness and quality of service;
- that arrangements should result in value for money improvements as a result of rationalisation;
- that the optimum solution might vary from region to region (although a common solution would be desirable);
- that the decision should be reviewed after three years.

Responses to latest consultation

10. In the responses to the latest consultation there was consensus on the following:

- that the schemes were worthwhile;
- the need to avoid further fragmentation;
- the need for a national framework, but with services delivered locally;
- given the investment to date in these programmes continuity of funding was vital (this was particularly stressed for activities funded from surplus and discretionary sources);
- the importance of consistently high quality services.

11. The solutions preferred by the respondents varied slightly:

Business Connect Wales (the consortium of suppliers and customers) consulted its four regional boards (which are made up of members from the local delivery organisations and local business people). It recommended that the initiatives should be delivered at a local level but co-ordinated through four regions – South West, North, Mid and South East Wales. A lead regional body should be given the role of identifying suitable deliverers through a contracting arrangement within the region. This lead body could be the WDA or Business Connect Wales Ltd (with input from the BC regional consortia). (Two regions felt that the WDA regional offices should fulfil the role of lead body, but working closely with the Business Connect regional consortia, the other two didn't reach consensus.)

The Confederation of British Industry (as a member of Business Wales) felt that the WDA should nominally take on responsibility for administering funding for TEC enterprise functions, but that there was little merit in transferring delivery of those functions in the short-term (given the current Review of Business Support). The services should be delivered through CETW regional offices.

The Federation of Small Businesses (as a member of Business Wales) says it believes the contracts should be administered through the WDA but feel this should be in the context of the establishment of a Small Business Service for Wales (which would be managed by a Small Business Division of the WDA).

The National Farmers' Union (as a member of Business Wales) makes the point that there is a need to ensure continuity of funding and delivery of TEC services (particularly related to agriculture). It also stresses the need to set Business Connect services in the context of the Rural Development Plan.

Conclusion

12. Based on the responses received, the solution which best meets the criteria set by the Committee (see paragraph 9) is that:

- The WDA through its regional offices should be given the responsibility for administering the contracts for the TEC enterprise programmes (ie on the same basis that the TECs currently administer the programmes). These should be set within the framework of the National Economic Development Strategy (and the Structural Funds documents as appropriate) after consultation with the National Assembly, Business Connect and other interested parties.
- The funding for these programmes must be sufficient to ensure the continuity of all programmes currently delivered (including those funded from LIF and surpluses). The funding for the non-skills programmes should transfer to the Economic Development programme from the Post-16 Education programme.
- The funding should be allocated directly to the WDA regions.
- The TEC staff currently associated with the programmes should be transferred to the WDA regional offices.
- The WDA regional offices should establish (on-going) arrangements for consulting Business Connect regional consortia on the administration and development of these programmes and on the proposed contracting arrangements.
- Arrangements should be put in place by the WDA, in consultation with Business Connect, for monitoring and evaluation of the quality and effectiveness of the programmes.
- Arrangements should be reviewed after three years.

13. This solution satisfies the criteria set in paragraph 9 provided that:

- satisfactory arrangements for monitoring and evaluation are put in place;
- as part of the implementation process plans are drawn up to identify potential rationalisation savings (which should be diverted to programme delivery).

Action

14. The Committee is invited to consider the conclusions in paragraph 12 and the

recommendations in paragraph 2.

Special Adviser/Committee Secretariat

June 2000

Annex 1

TEC Enterprise Programmes - Main Schemes

1. The key aim of the programme is to support the development of new and existing small and medium sized enterprises (SMEs) - through the provision of tailored human resource/ skills development and general business development services meeting identified company needs. The programme comprises six main all Wales schemes which between them are expected to assist 4-5,000 SMEs in 1999-2000. Take-up of the individual schemes by business is therefore good, though could possibly be improved further.

2. In contracting with the TECs for the overall management of this programme, a range of annual outputs are specified and progress against these targets is regularly monitored. Details of the main schemes of support and the associated targets for 1999-2000 are provided below.

3. Human resource/skills development

As a starting point in introducing a stronger culture of training and development within small firms, the TECs arrange for training needs analyses to be undertaken within individual firms. This analysis usually then leads on to support under one or more of the following schemes:-

a. Small Firms Training Initiative

This scheme promotes planned training in private sector small companies (it is restricted to those employing less than 50). It does this by helping small firms identify a key worker or workers to help champion training and development through the firm. Relevant NVQ training is provided as a first step to assist the champion in this role. Then an agreed company training plan is drawn up geared closely to the business objectives of the company. The scheme helps with the implementation of the training plan so that the whole workforce is appropriately covered. The TECs find that the scheme provides a very useful means of encouraging small firms down the liP route.

In the current year, at the all Wales level, the main TEC targets are for 715 firms to participate and for 605 company training plans to be completed.

b. Investors in People

This UK-wide scheme aims to improve the business performance of organisations through effective development of the workforce. Unlike the other main schemes in the TEC enterprise

programme, this scheme is promoted to small and large organisations in the private as well as the public and voluntary sectors. The TECs provide a range of support to organisations to assist them initially to commit to the liP process and then to undertake the action necessary to achieve liP accreditation. TEC support includes assistance - either via their own staff or via consultants - to help firms in putting in place and implementing a company-wide training plan. Those organisations assisted by the TECs are expected to make a contribution towards the costs of consultancy, etc, support - often on a 50/50 basis. For firms employing less than 50, however, the TEC has discretion to exempt them from making a financial contribution.

In this area the TECs have been working towards the National Targets for Education and Training . The current year's targets are for 450 organisations across Wales to commit to the liP process and for 300 to achieve liP accreditation.

c. Management Development

Better management skills within SMEs in Wales is crucial to business competitiveness and was identified as one of the priorities in the 1999 Future Skills Wales survey. TEC support focuses on strategic management development within SMEs and it is often directly linked to needs identified through the Small Firms Training Initiative or Investors in People. A range of support is offered, tailored to individual company needs, including financial assistance to managers to pursue relevant qualifications and the use of consultants, on a subsidised basis, to promote specific improvements within company management teams.

In the current year the TECs are aiming to assist 1600 SMEs with management development.

The human resource/skills development programmes will transfer to CETW.

4. Enterprise development support

New Business Starts

The aim here is to provide tailored support to assist those wishing to establish new ventures. A key objective is to encourage the formation of more good quality ventures which have the potential both to survive longer term and to grow. Support offered includes help to develop a sound business plan, appropriate skills training and on-going mentoring/counselling support via a personal adviser. The scheme also allows for the TECs to provide discretionary financial support (up to £1,000) for new businesses. It is open to all, though the TECs have three main target groups : the newly unemployed; the employed wishing to go into business on an individual or team basis; and graduates and others in the higher and further education sector.

In the current year the all-Wales target is for 1100 new businesses to be supported.

Sole Traders Initiative

The aims of this (Wales only) initiative are essentially two-fold - to help encourage sole traders to take on their first employee and thereby to help in the successful expansion of micro-businesses. Recognising that the perceived administrative burdens of PAYE, National Insurance etc, may deter sole traders from becoming employers, the scheme provides practical support to guide the sole traders through the (legal) requirements involved. In addition, and via close liaison with the Employment Service, the TECs effectively provide a customised recruitment service, matching potential employees - particularly the unemployed - with sole traders. The scheme was introduced Wales-wide in 1998 following a successful pilot in North Wales.

In the current year the all-Wales target is for 375 new jobs to be created under the initiative.

Diagnostic and Consultancy Service

This service targets SMEs with growth potential - and via a SWOT-type analysis assists them to access specialist consultancy support to improve their performance and to tackle identified problem areas. The scheme comprises three main elements - informal business reviews or health checks; more in-depth diagnostic reviews (provided by consultants on a subsidised basis) and consultancy support to help address issues identified in the review/diagnostic study (again on a subsidised basis). The business review/health check is very popular with small firms in particular. It may or may not lead on to the provision of specialised consultancy support, depending on the findings. As well as providing useful information for the company, the review process also assists the TECs in identifying other support which may be relevant to the firm's needs - either from the TEC itself or from another business support agency within Business Connect.

In the current year the all-Wales targets are for 1100 business reviews to be undertaken and for 30 diagnostic studies and 370 specialist consultancy projects to be completed.

5. Interlinkages and marketing

As indicated the six main all Wales schemes described in paragraphs 3 and 4 above fall into two main categories - human resource development and enterprise development. There are strong links between the individual schemes however - for example between the Small Firms Training Initiative and Investors in People in terms of capacity building within the SME sector. While the TECs manage the overall programme, actual delivery of the schemes is usually arranged through sub contracts with the enterprise agencies, consultants and other local service providers. As part of this the TECs have a fieldforce of account managers who develop close relationships with the local business community, helping ensure that firms take up appropriate TEC or other business services available from other agencies under Business Connect. It will be important to ensure this client-focused approach is maintained under the new arrangements after April 2001.

6. Enterprise Programme and Related Schemes

The foregoing describes the main all Wales schemes funded under the TEC enterprise programme. They are formally evaluated on a rolling programme basis to help ensure the schemes remain relevant and provide reasonable value for money. In addition a number of other general business support activities are also supported under the programme on a local basis - for example inter-company networks. As noted in EDC 02-00 (p2), the TECs also complement this work with discretionary local business development initiatives funded from reserves, surpluses and the Local Initiative Fund. Examples include the part funding of facilities such as the Lucas training centre in Cwmbran; the upskilling of employees to help address specific skills shortages; and dedicated workforce training for indigenous firms or inward investors. The level and type of support from these sources will similarly need to be taken into account in allocating remits and budgets for successor organisations.

7. Childcare The Out of School Childcare Initiative was introduced in 1993 and is currently delivered through the TECs. The aim is to offer parents and carers of school-age children the opportunity to participate more fully in the labour market by improving the quality and quantity of childcare available outside school hours and in school holidays. The funding - £900,000 in 1999-2000 - is used to provide infrastructure support, including training, for the expansion of out of school childcare provision. Separate consultation is planned by the National Assembly on the future use and routing of this funding.

Costs

8. In the current financial year the TEC enterprise programme accounts for £10.2m of the overall value of the contract between the Assembly and the TECs. Of this total the individual TEC contract values are: South East Wales - £4m ; Mid Wales £1m; West Wales £2.5m ; Celtec £2.7m. In addition the TECs are forecasting spend of some £2.55m in the current year from discretionary resources (reserves and the Local Initiative Fund) in support of local business development initiatives (excluding inward investment projects). The TEC staff costs associated with the programme are estimated at £2.3 m (1998-1999 figure)