

# Enterprise and Learning Committee

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## Memorandum for The Enterprise and Learning Committee's Inquiry Into the Welsh Assembly Government's Response To The Current International Economic Downturn.

**Ieuan Wyn Jones AM Deputy First Minister and Minister for the Economy and Transport**

### The Economic downturn

1. The Assembly Government has taken swift and decisive action to help businesses and individuals, both through the downturn and to be ready to take advantage of opportunities as the economy recovers.
2. The first Economic Summit was held in October 2008 with stakeholders such as, Business Wales, Wales Trade Union Congress and others. A highly constructive dialogue took place and led to seven key areas to address. These key areas are not all within the remit of Department for the Economy and Transport (DE&T), and so we have worked across portfolios within the Assembly Government to develop proposals and actions.
3. The second Summit November 2008 and the third in December 2008 set out in detail our wide range of interventions in response to the issues raised and are detailed in the update paper for the Third Economic Summit (Annex 1) and include:

### Infrastructure/ Capital investment

4. On the 2nd December 2008, a first tranche of projects was allocated Strategic Capital Investment Funding (SCIF), totalling around £350 million that will help to deliver major improvements in public services across Wales. Also £23 million of capital expenditure will be brought forward into the remainder of this financial year, focussed on labour-intensive investment proposals in line with discussions at the Economic Summits.
5. The first set of projects offered Targeted Match Funding (TMF) was also detailed on 2<sup>nd</sup> December. As well as providing support to legacy projects from the last programmes, funding offers totalling over £23 million have been made to new projects, including those to help the economically inactive into employment, as well as support for social enterprises. The TMF will help to secure EU Structural Funds for projects which will make a real difference to people and communities across Wales.

### Business Rates

6. The Assembly Government agreed that the two temporary measures announced in respect of England by the Chancellor of the Exchequer in the pre budget statement would also apply in Wales.

### Housing

7. A major programme to deliver 400+ Affordable Homes across Wales was announced in the Final Budget Statement on 2nd December. The affordable homes project will provide additional social housing grant to registered social landlords to deliver more affordable homes. The proposal will maintain construction jobs affected by the credit crunch. Bringing forward Social Housing Grant into 2008/09 will also enable the acceleration of social housing programmes.

### Energy Efficiency

8. An additional £2 million is being brought forward from within the DE&T budget for works on the Heads of the Valleys Low Carbon Economy programme in 2008/9.
9. The Green Jobs Strategy Consultation, launched in November 2008 is a key element of the One Wales Programme for Government. Businesses in Wales can be market leaders in areas of green technology and services and new opportunities will open up as we move towards a low carbon low waste economy.

### Skills Training

10. With effect from early January, the ProAct programme is providing additional training assistance to businesses that are suffering during the downturn. It complements the existing ReAct programme by enabling us to support businesses and their employees before the need for redundancies arises. On a selective basis, we are providing additional financial support for employee training and, as an innovative new measure, we will also provide support towards wage costs whilst training is underway.
11. The target for employers signing the Basic Skills Employer Pledge, by March 2010 from 500 to 1,000 employers is being doubled.
12. The approach to tackling redundancies is also being strengthened with e close working between the Assembly Government, Jobcentre Plus and Careers Wales.

13. The expansion of the support available through the Workforce Development Programme will raise intervention rate for SMEs from 50% to 70%, backdated to 1 October 2008 and the capacity of the ReAct programme will be increased by 50% for 2009/10.

### **Procurement and Payments**

14. An additional investment in the xchangewales programme will be made available in this financial year. Value Wales has been commissioned to review how further acceleration of sustainable procurement practices across the public service would bring forward added benefits – social, economic and environmental.

15. Figures have been published to show that as an organisation, the Assembly Government is paying suppliers in an average of 5.89 days, with fewer than five percent of payments taking longer than 10 days.

### **Funding**

16. WEFO is in discussion with the European Commission about the possibility of increasing intervention rates for the European Programmes in the light of current pressures on co-financing and the decline in the value of Sterling against the Euro.

17. The £45 million Business Growth project (£13 million ERDF) was announced at the Third Economic Summit. Business Growth will help sustain and grow 6,000 SMEs across Wales and create around 6,000 jobs.

### **Latest Developments**

18. Since the last Economic Summit in December, work has continued to develop and refine the actions. On 26<sup>th</sup> January 2009, it was announced that ProAct will receive £48 million of Welsh Assembly Government funding, including £30 million from the Convergence European Social Fund, to cover the year 2009-10 and the current pilot phase.

19. To support **apprenticeships** during the economic downturn a further £20 million will be made available, subject to support from European Structural Funds, for the creation of a package of measures to help sustain and encourage new apprenticeship recruitment.

20. The European Structural Funds to have proved a valuable support to the recommendations of the recent Economic Summits. The strong partnership approach that is key to Structural Funds management has enabled a quick reaction to the challenges of the global economic downturn. Key investments have been prioritised and brought forward, including many projects already under discussion with Wales European Funding Office.

### **Flexible Support for Business (FS4B)**

21. In addition to new measures above, we are already taking wide-ranging action in terms of support for business through Flexible Support for Business (FS4B). The FS4B model was developed in response to, and in consultation with, business to reduce confusion in the marketplace and enable us to deliver services to businesses more efficiently. It does this through improved access to information, advice and support for all existing businesses, and prospective businesses, via a gateway that includes a single website, a national phone number, and face to face contact through a network of local centres.

22. There are also dedicated relationship managers to support the development of strategically important businesses by building a package of relevant tailored support. The funding and specialist support available has been unified into a Single Investment Fund to meet businesses' individual needs.

23. In addition, the UK government has made a number of announcements including 'Real Help for Jobs' and 'Real Help for Business' and support for the Automotive Industry.

### **Conclusion**

We are monitoring the economic situation very closely and working to ensure that businesses take advantage of the UK-wide measures, as well as the actions in Wales. We continue to look at new policy and delivery options and will provide the Committee with an update following the fourth Summit on 6<sup>th</sup> February 2009 (Annex 2)