

DRAFT FOR DISCUSSION

NATIONAL ASSEMBLY FOR WALES

**ECONOMIC DEVELOPMENT
COMMITTEE**

**REVIEW OF BUSINESS SUPPORT AND
DEVELOPMENT SERVICES
Main Findings and Recommendations**

DECEMBER 2000

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Chair's Forward

Main Findings and Recommendations

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1	Summary of Recommendations	
2	Background to the review (Terms of reference, expert adviser, method of working, people consulted) [former Annex1 + additions]	

Also available - Business Support Review - main report and Annexes 2-5

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1. INTRODUCTION

1.1 Wales' economic performance has been poor for many years. GDP per head in Wales, expressed as a percentage of the figure for the UK as a whole, has been in the low to mid 80s since the 1960s.

1.2 Contributors to the poor overall economic performance are considered to be:

- a weak indigenous business base reflecting the historic dependence on a small number of industrial sectors which have suffered major decline;
- low activity rates;
- low-added-value production;
- too few companies exporting;
- an underdeveloped service sector and few headquarters functions;
- lack of high tech, knowledge-driven industries and low commitment to innovation and R&D;
- low exploitation of the opportunities afforded by information communications technologies;
- low wages;
- no tradition of entrepreneurship/low business birth rates;
- relatively high business failure rates;
- relatively poor growth rates from small company to medium-sized company to plc;
- undeveloped potential within the tourism industry.

1.3 The National Assembly for Wales in its document "www.betterwales.com" sets benchmarks for the Welsh economy for 2010. Specific targets include:

- The total number of new businesses should have risen by 35,000 and the number of jobs should have grown by 135,000. The percentage of people of working age who are in employment must have increased, reducing the gap between Wales and the UK. The proportion of the population aged 50 to 59 (in the case of women) and 50 to 64 (in the case of men) who are economically inactive should have fallen from around 40% in 1999 to less than 30%.
- Business R&D should have grown faster than in the UK as a whole over the decade. The level of innovation throughout the diversified Welsh economy must be amongst the best in the UK.

- We must be more international in outlook... the number of Welsh companies exporting and having links with businesses world-wide must have grown.
- Output per head must have risen from around 83% of the UK average in the mid-1990s to at least 90%, generating an additional £5 billion at 1997 prices.

1.4 Economic forecasts predict that the Welsh economy is likely to grow by some 2.5per cent year on year between 2000 and 2005, which will not of itself close the economic gap between Wales and the UK and the EU average.

1.5 To close this gap within a reasonable timescale requires a step change in performance and growth across many areas of the Welsh economy. Only business and industry can generate the employment and wealth needed to close this gap.

1.6 In response to these problems the public sector has developed a range of business support activities aimed broadly at overcoming constraints to business growth and development, stimulating new business formation/improving survival rates and attracting new business activities.

1.7 The Economic Development Committee is asked to consider many proposals for business services. The Committee has been concerned that often it is being asked to make important recommendations on the basis of inadequate information about the likely economic benefits of the proposals and without a coherent strategic context.

1.8 The Committee decided that for these reasons, and because of evidence in Wales of concerns about the effectiveness and efficiency of, and evidence of overlaps between, current business support mechanisms, that its first major review should be to look at business support and development services.

The Review

1.9 The terms of reference for the review were:

- To identify the current range of business support and development programmes.
- To consider their effectiveness and whether they met the needs of businesses.
- To establish whether the delivery methods were appropriate identifying any scope for improvement and rationalisation.
- In the context of the National Economic Development Strategy, to identify gaps in provision and make recommendations on how objectives could be achieved.

1.10 For the purposes of this review, business support and development services are defined as the provision of relevant information and advice linked to accessing specific and

specialist support programmes, initiatives and appropriate consultancy (but excluding provision of property).

Work undertaken

1.11 The Committee appointed Dr Jim Driscoll, former partners with PWC, to assist them in the review. The review has considered services focussed on indigenous growth **and** inward investment, delivered by both the public and private sectors. It has not sought to add to the extensive research which has been undertaken on Wales' economic problems, but to address the policies, strategies and processes which might improve Wales' economic performance over the coming years.

1.12 The review has involved:

- **considering the future of the TEC enterprise functions.** The Committee made recommendations to the Assembly Secretary in July and these recommendations were accepted by the Assembly Secretary.
- **considering initial proposals for the Development Fund.** The Committee endorsed the proposals in principle in April, but was keen to see more details of how the Fund would work in practice.
- **considering the recent past and current arrangements for providing services** - by the public, private and community/voluntary sectors - to stimulate or enhance business activity, including attempting to map the current position through questionnaires;
- **consulting a wide range of organisations providing business services** in Wales and reviewing literature and reports relating to their performance and value-for-money;
- **consulting organisations representing business users** of these services and holding direct discussions with users in regional focus groups; and
- **reviewing the business services arrangements for some comparator locations** including the **Republic of Ireland, Central Sweden, Flanders, Baden-Wurttemberg, Nord Pas de Calais, Catalonia, Emilia Romagna, Scotland and North East England** and considering the proposals for the **Small Business Service in England.**

Further details can be found in Annex 1.

The Marketplace for Business Services

1.13 There are some 150,000 established businesses in Wales (over 100,000 sole traders or self-employed) and existing services aim to provide assistance to expand this number, improve competitiveness and assist growth. Overall some 14,000 **net** new jobs per annum have been created in Wales in recent years.

1.14 Inward investment (Foreign Direct Investment - FDI) has been seen as an important contributor to the Welsh economy contributing some 5,000 new jobs per annum in recent years.

1.15 Given the limitations on public resources it is important that they are deployed to maximum effort. Not all businesses have the potential to make a significant additional contribution to GDP. Some research has sought to identify companies/sectors which might benefit from intervention and the appropriate kinds of business services to help business but this is fragmented and has not led to any generally accepted strategic targets.

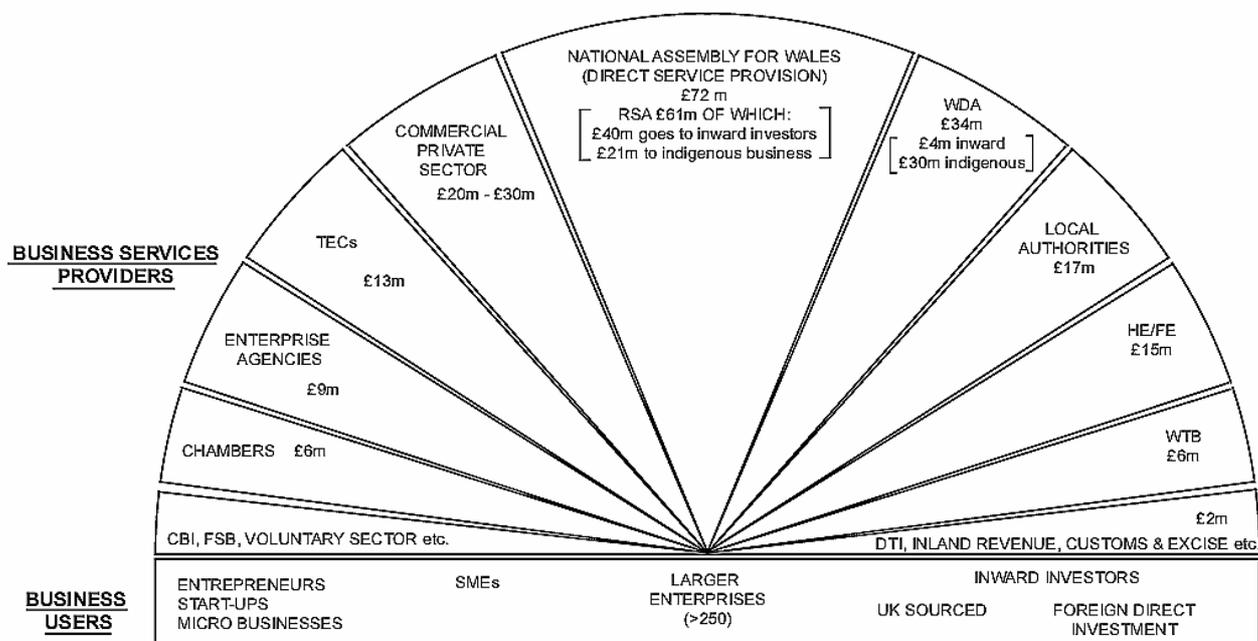
2. CURRENT BUSINESS SUPPORT PROVISION

2.1 The Review confirmed that there is an extensive network of business service deliverers across Wales operating at local, regional and national level. These provide a wide range of services to business:

- More than 55 public sector agencies provide some form of business service involving some £150 million per year of public expenditure. It is estimated that perhaps as many as 500 discrete products or services are offered.
- The major publicly-funded agencies in terms of scale and resources are **The National Assembly for Wales** itself which spends some £72 million per annum, £61 million of which is through Regional Selective Assistance (RSA), **the Welsh Development Agency, the Wales Tourist Board, Local Authorities and Training and Enterprise Councils**.
- Other providers include **Further and Higher Education** institutions and some Government Departments (**Department of Trade and Industry, Department of the Environment and the Regions**). A number of government departments and agencies provide advice to business on their particular services, eg **Inland Revenue and Customs and Excise, The Equal Opportunities Commission and The Commission for Racial Equality, The Welsh European Funding Office** manages the European Structural Funds which also contribute to business support programmes.
- Within the not-for-profit sector, **Local Enterprise Agencies** operate on a local basis in many parts of Wales. Others organisations provide services to their members such as **Chambers of Commerce, the Confederation of British Industry (CBI), Federation of Small Business (FSB), Unions, employers' federations**. Organisations within the voluntary sector include local community groups and development trusts, **Community Enterprise**, and the **Wales Co-op Centre** which mostly provide specialist services to specific types of business.
- The **commercial private sector** such as accountants, consultants, banks, lawyers provide business advice and other services as do other groups eg telecoms providers such as BT, NTL, Orange.

2.2 Figure 1 illustrates the main business service providers and their approximate scale. It should be noted that the figure for the commercial private sector is an estimate of the scale of activities comparable to the public sector business services eg location advice to inward investors. Overall business-to-business activities are much greater.

FIGURE 1: ILLUSTRATION OF THE SCALE OF WALES' BUSINESS SERVICES ANNUAL EXPENDITURE



2.3 Given the large number of business service providers and the range of products/services available in Wales, the marketplace could be assumed to provide for all the possible needs of business and to offer healthy choice. The Committee found that successful economies such as the Republic of Ireland offer the same kinds of business services as Wales whether related to the development of the indigenous economy or the attraction of inward investment. The services available in other parts of the UK or, indeed, elsewhere in Europe and the world are also similar.

Coordination

2.4 There are many mechanisms for coordinating the work of the various agencies providing business support:

Regional Economic Forums bring together private, public and voluntary sector partners at regional level (North, Mid, South West and South East) to discuss economic matters, priorities for the region, coordination of policies.

Team Wales brings together the main public sector organisations who provide inward investment services primarily to address specific inward investment projects on a case by case basis. Team Wales is led and supported by the WDA.

Business Connect is a partnership of most of the publicly-funded and not-for-profit organisations and some private sector service providers, and business representatives. There is an all-Wales management board (Business Connect Wales Ltd), set up only in 1998 to address coordination issues, and regional and local consortia. The role is to provide a single "brand" for business services across Wales, provide a gateway to the range of business services on offer, and to act as a focus for co-ordination and co-operation. Annex 1 contains more information on Business Connect.

Other partnerships include:

- Wales Information Society (WIS);
- Regional Technology Plan (RTP);
- Agri-Food Partnerships;
- Regional Tourism Companies (membership bodies);
- Wales Tourism Training Forum;
- Objective 1 "Regional" partnerships on a range of issues including Business Support, Entrepreneurship, Innovation and R & D, Exports, Information Technology, Sites/Premises, Funding, Agri-Food etc with local partnerships based on local authorities;
- Objectives 2 and 3 partnerships;
- Sectoral initiatives such as the Opto-electronics Forum, Wales Electronics Forum and the Welsh Automotive Forum.

Support for Indigenous Business

2.5 The Review suggests that some £105 million per annum of public funding is allocated to indigenous business support including £21 million per annum on RSA and £30 million of WDA activities.

2.6 However, it also found that any one location may have some 20 publicly-funded or not-for-profit organisations offering business support of some form. From the review it appears that any particular location in Wales may have some 20 publicly-funded or not-for-profit organisations offering business support of some form. The private sector will also compete in that location for appropriate business.

2.7 Our analysis suggests that, of the public sector business services providers, almost all say they provide services to client groups from start-ups/micro businesses to inward investors. The vast majority deal with businesses employing up to 250 (SMEs) and around half with larger businesses.

2.8 Some of the public sector service providers will offer only specialist services eg RSA from National Assembly, tourism services from WTB.

2.9 Most local authorities say they provide a wide range of services from encouraging entrepreneurship and startups through general business planning and information to specialist services such as ICT or R & D. Over 70 per cent of the local authority respondents to the questionnaire say they provide innovation services.

2.10 The education sector also says it provides business services across the full range.

2.11 A typical region may have some 12 not-for-profit service providers some of which say they provide a wide range of services to the full spectrum of client groups.

2.12 The review suggests that, for example, in any one location, around 30 different schemes for providing finance (loans and grants) may be available. Obviously some will have a specific focus eg crafts or training.

2.13 As a result, a Business Connect Regional Consortium has as many as 30/40 partners with generally a small representation from the commercial private sector providers.

2.14 Increasing efforts have been made recently to coordinate services specifically by providing a gateway to business through Business Connect, although this has had varying success in the different regions. However, only a relatively small percentage of business appears to enter the system through Business Connect. There is considerable evidence of confusion and frustration amongst businesses who cannot find easy access to the services on offer or do not know which will suit them best.

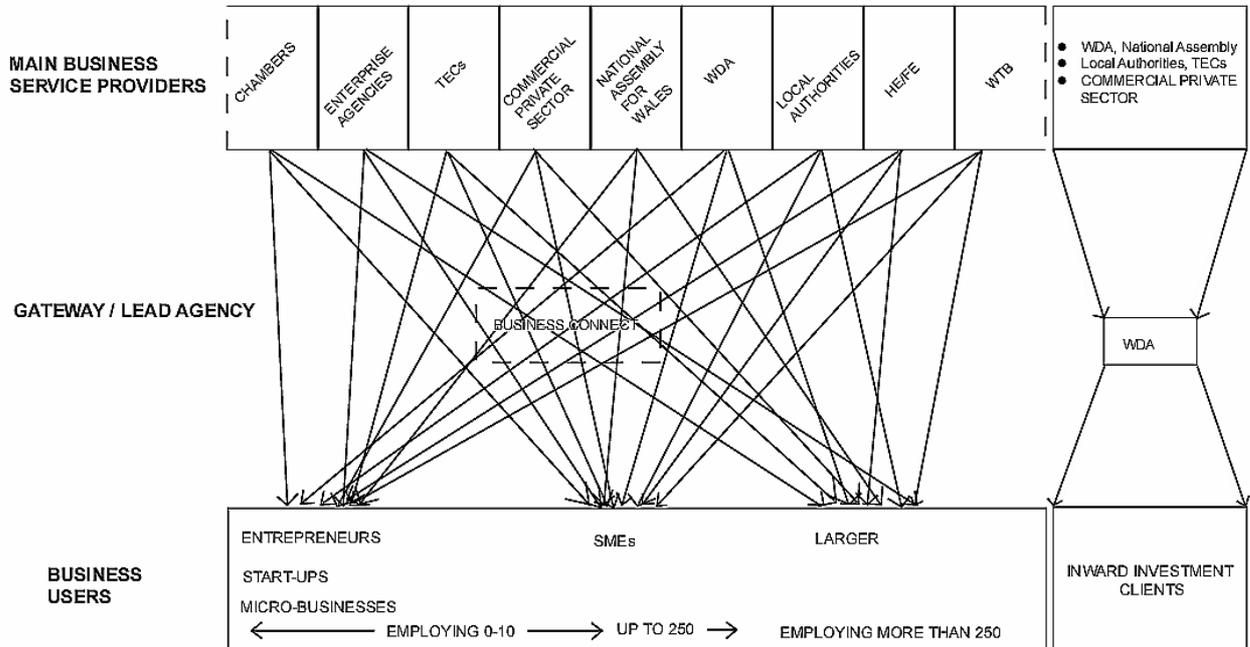
Services to Inward Investors

2.15 Some £45 million per annum of public resource is expended on the inward investment market opportunity primarily from RSA (£40 million) and the International Division of WDA. (this excludes property provision).

2.16 The International Division is the accepted gateway and lead agency for inward investment specifically FDI. Team Wales was developed to coordinate Wales' efforts to attract inward investment involving WDA, TECs, Local Authorities and others. However, evidence to the Review suggests that most of the partners believe that it is not working as effectively as it could be at this time and is too loose a partnership to be able to grasp opportunities to the full.

2.17 **Figure 2** illustrates the current range of support arrangements showing the relatively clear arrangements for inward investment compared with the complex position for indigenous business.

FIGURE 2 : ILLUSTRATION OF CURRENT NETWORK ARRANGEMENTS



3. SUMMARY OF FINDINGS FROM THE REVIEW CONSULTATION

3.1 There are a large number of players in the business services field offering a wide range of service “products”. Despite considerable investment in partnership working, there is evidence of a significant lack of co-ordination which leaves considerable confusion.

3.2 The activities of the main public sector players, including the Assembly and its agencies, the WDA and WTB, was previously documented. However, the scale of these public sector and other publicly-funded activities and the lack of inter-agency agreement on roles and responsibilities was greater than anticipated. It was also apparent that outside of the WDA and WTB, publicly-funded activities were not operating within any overall agreed plan or framework except that which developed from the partnerships and cooperative activities, some of these led by the Assembly or its agencies. This has resulted in considerable congestion in some service areas.

3.3 Feedback from the consultation process with business service deliverers and providers suggested that:

- there was dissatisfaction with the scale and nature of required partnership working;
- current partnership working was not achieving rationalisation and simplification of the system ;

- many specific partnerships such as Team Wales were superficial and had little substance;
- partnerships of agencies with vested interests and competitive pressures were unlikely to agree to genuinely cooperative working and pooling of resources;
- the existing system encouraged fragmentation and competition; and
- without some agreement on roles and responsibilities, the existing system of bid funding fostered inter-agency competition.

3.4 If Wales is to provide the range of services needed to support and develop the business sector these need to be flexible, timely and comprehensive to support businesses of all types and sizes at different stages in their development. For some businesses this may mean simple information provision and general business advice or counselling, but for other businesses, for example technology-based high growth companies, highly specialist advice or support may be required relating to funding, marketing, innovation etc.

3.5 In a perfect market, private sector providers would emerge offering all the services needed by businesses on an acceptable commercial basis and this would be sufficient to create a vibrant Welsh economy. In practice many of the services needed by Welsh business are provided by the private sector and are taken up on a commercial basis. However, there are accepted areas of market failure and weaknesses in the Welsh economy for which public sector intervention is needed if Wales' performance is to be improved. If it is to be cost effective the public sector intervention should:

- **encourage the development of the private sector** to provide as full a range of business services as possible;
- **encourage and stimulate businesses to use appropriate services** to improve their business performance;
- where there is a market failure to **publicly fund the provision of services** which will stimulate economic activity and improve business performance;
- use public funding to provide such services as **efficiently and effectively** as possible either through private sector or public sector providers
- input on potential growth sectors and have a demonstrable input on Wales' economic performance.

3.6 However, the Review found that business was dissatisfied with the mechanisms available for it to influence public sector policy and practices and found it difficult to meet the time and resource demands of current partnership arrangements. Feedback from consultation with service users raised a range of specific issues but included some regular themes such as:

- confusion as to which organisation could best provide the required assistance;

- uncertainty on what help was available;
- concern that services were not customer focused;
- difficulty in engaging with the appropriate service provider;
- variable quality of response/personnel; and
- use public funding to provide such services as
- frustration over speed of response (particularly for finance schemes).

3.7. In examining the current arrangements for business services and trying to reach conclusions on their effectiveness, the Committee was struck by the difficulty in determining whether public resource was being deployed appropriately in relation to **strategic objectives** and **potential economic outcomes**.

3.8 The performance of the Welsh economy is greatly influenced by external factors and hard evidence on the **economic impact** of policies is difficult to obtain and so effectiveness is difficult to measure.

3.9 The Committee was generally content that individual programmes, projects and agencies were being reviewed against agreed outputs. However, the difficulty in identifying what would have happened in hard economic terms without intervention seems to apply to business services perhaps more than to other areas of government intervention.

3.10 This problem is exacerbated by the complex funding arrangements, the number of agencies providing services and the range of services being delivered.

3.11 Given the inadequacy of hard evidence the Committee has relied on consideration of:

- **the informed opinions** received from the wide ranging consultation process;
- **the extensive review of published reports, evaluations and strategy** documents;
- **reviews of this issue undertaken by other regions** (Scotland, the North East of England and England more generally);
- **the experiences of regions visited or consulted:**
 - Republic of Ireland, Central Sweden, Flanders, Baden-Wurtemberg, Nord Pas de Calais, Catalonia, Emilia Romagna.

3.12 The reviews recently undertaken of business services arrangements in Scotland and North East England identified very similar issues.

3.13 The visits to Ireland and Brussels where the Committee reviewed the approaches of six other European regions and highlighted a number of policies which could improve services.

- the emphasis being given to the development of an overarching strategic economic framework for economic development albeit under different titles (eg The National Plan - Ireland);
- the resources devoted to research on the economy to understand its strengths and weaknesses, to evaluate outcomes of programmes and to inform future strategy;
- the apparent simplicity and clear customer focus of the public sector network to provide business services in Ireland - separate organisations which focus exclusively on small/micro businesses; larger enterprises and those with high growth potential; and inward investment;
- the attention given to monitoring mechanisms to judge the impact of programmes.

3.14 Further details of the Review Findings are available in the Main Report.

4. RECOMMENDATIONS FOR CHANGE

4.1 Taking all these findings together with the emerging concerns about the current business services arrangements in Wales, the Committee agreed on the need to consider three strategic issues:

- the need to define clearly the **roles and responsibilities** of the main providers within the context of a widely-accepted **National Economic Strategy** for Wales and an **Economic Framework** which translates the strategy into action with monitoring and research to allow adjustment of programmes according to regional or sectoral need;
- the need to improve the **effectiveness and efficiency of partnership working, including clarifying roles and responsibilities**; and
- the need to improve **the access to and effectiveness and efficiency of business services**.

4.2 The Committee considers that if **all** these issues are not addressed then any changes made to the delivery mechanisms and the programmes delivered will result in only temporary improvements; in the medium-to-long term the problems will recur.

4.3. Although these three themes are inter-related, for clarity they are dealt with individually in the following sections.

4.4. The Committee considered the current position in Wales and how the Assembly, agencies and business could work together to achieve greater economic benefits from current public expenditure to maximise the potential of Welsh business and inward investors. This suggested a range of options for change.

4.5 The recommended changes are based on some key principles including:

- **the need to make business support services demand-led rather than supply-led.**
- **the desirability of a single clear gateway** for all businesses to the full range of services underpinned much of the criticism of the existing arrangements. The Committee believes that Business Connect has the potential to become an effective gateway if it is supported by the key agencies and if it is led and managed with clear direction and proper standard setting;
- the need to clarify and agree **roles and responsibilities** for all economic development agencies including those over which the National Assembly does not have direct control (through funding or statute) such as local authorities (with their statutory responsibilities) or local Enterprise Agencies and other important service deliverers and to ensure funding decisions follow these roles, including European funding.
- **that the WDA is Wales' lead economic development agency.** Some criticisms emerged related to its openness in the past to **real** partnership working, the range of its activities and the effectiveness of some of its programmes. However the Committee believes that, in the WDA, Wales has an agency of scale, experience and flexibility which is currently admired more outside Wales than within. Given the recent upheaval associated with the merging of WDA, DBRW and LAW and the need to address the Objective 1 opportunity immediately, the Committee does not believe that dividing the WDA into two separate organisations (as in Ireland) can be justified at this time;
- **the need to retain the vital link between economic development and human resource development** currently provided by TECs by building in partnership with CETW;

5. KEY RECOMMENDATIONS

Strategic Direction and Roles and Responsibilities

5.1 The Committee wishes to draw on the broad model for agreeing roles and responsibilities from the Republic of Ireland, recognising that there are also important differences between Wales and Ireland. Fundamental to this is the development of a widely accepted National Economic Development Strategy and Strategic Framework which defines the roles and responsibilities of the main players **and** defines strategic objectives. The Strategy should encompass support for tourism, agricultural and creative industries as well as traditional business support.

Recommendation 1

5.2 **The Committee recommends** the establishment of an **Economic Policy Board** possible models for which are illustrated in Figures 3a and 3b. The detailed model to be adopted will need further consideration and will need to take account of the work underway to develop a National Economic Development Strategy.

5.3 Essentially the Board should be small and dynamic, inclusive of the key organisations of business, and trades unions, represented at senior executive level and including an external perspective on the Welsh economy in a global context. Its role would be to work within the National Economic Development Strategy agreed by the National Assembly but at a distance from the Assembly to keep the NEDS under review and:

- a) to initiate and oversee research and evaluation of programmes;
- b) to make recommendations to the EDC and the Minister for Economic Development on priorities, programmes and opportunities;
- c) to make proposals to define and agree roles and responsibilities;
- d) to ensure coherence in policies and programmes both from the Assembly and other organisations eg for agriculture and rural development, community regeneration, urban and rural policy and land use policy, transport.

5.4 The Committee **recommends** that Assembly officials should form a small, high level working group with WDA, CETW, local authorities and business to consider the feasibility of, and to develop proposals for, establishing an Economic Policy Board as outlined above. This should include a fully costed programme for its establishment within the next 12/18 months and, if possible, for it to be operational, at least on a temporary basis, to produce its first Strategic Framework document by mid 2001.

Recommendation 2

5.5 The Committee further recommends the establishment of an **Economic Research, Monitoring and Evaluation Unit** underpinning the work of the Policy Board and its executive to develop:

- a detailed understanding of Wales' economy, its strengths and weaknesses, constraints to its development **and** future opportunities; and
- systems to monitor and evaluate the impact of programmes on the achievement of Wales' strategic economic objectives.

5.6 The unit should be set up within the National Assembly but by secondment/cooption or contract arrangements it should draw on and co-ordinate the research capacity of WDA, local authorities, universities and the private sector.

5.7 **The National Economic Development Strategy** should be complemented by regional and local economic regeneration strategies, which seek to implement national actions locally and which would complement and add value with initiatives to meet particular local circumstances. Local authorities are well placed to lead the preparation of local strategies through their community leadership and economic regeneration

responsibilities. The input of the local private sector, including agricultural and tourism interests, will be crucial. The Regional Economic fora will coordinate local plans within a regional strategy which will sit within the NEDS.

Recommendation 3

5.8 The Committee recommends that **roles and responsibilities** should be clearly defined and agreed between the Assembly and the main agencies based on the Assembly setting policy, the WDA as Wales' lead economic development agency and Business Connect as the gateway to all business services. The vital work of CETW must be integrated with the economic development strategy.

5.9 **The National Assembly** should lead in the development of the Economic Strategy and Framework. It should set policy and ensure that a process is put in place which is inclusive, ongoing and transparent. It should establish mechanisms to improve the evidence base for policy making. The Committee recommends that, with the exception of RSA and Export Services, the Assembly should withdraw from the direct delivery of business services.

5.10 Both RSA and export services raise additional issues because of their close links to Government, and statutory considerations. The Committee will be looking further at the delivery of RSA in 2001. Export services have only recently been brought together within the National Assembly. However, the Committee believes that to achieve credibility with the business user and more customer focus, export services should be clearly branded with their own identify and located in business friendly surroundings and should have an advisory board with business, WDA and other appropriate members. The services should be set annual targets and monitored against performance.

5.11 **The WDA** as Wales' lead economic development agency must be directly involved in the development of a shared Economic Strategy and Strategic Framework through the proposed Economic Policy Board. It should become the primary conduit for National Assembly funding for developing both indigenous business and attracting inward investment, but the Committee believes that it must become more effective in its partnership working. This does not mean that the Agency should directly deliver the services, but that it should ensure, through its partners, that the most appropriate arrangements are made.

The role of the WDA in supporting business

5.12 Whilst the Committee rejects the option of splitting the Agency into two separate organisations, it recommends that the WDA should establish a clear internal organisational structure focused on:

- **start-ups and small companies** to include its activities under the Entrepreneurial Action Plan and Business Connect;

- **larger business support services** and specialist cross-cutting initiatives such as innovation/R & D, ICT/e-commerce, supply chain development etc; and
- **new inward investment.**

5.13 The WDA, following the findings of the second stage of the Quinquennial review should carry out an internal organisational review.

5.14 The Agency's key roles should be to:

- lead Wales' efforts to secure inward investment (through Team Wales);
- lead in the coordination and development of business services to indigenous businesses. The Committee believes that the Agency should not directly deliver all services but that it should ensure, through its partners such as local authorities, that the most appropriate arrangements are made. Central to this will be enhancing **Business Connect** to become the effective gateway to all business services. The WDA should take direct lead responsibility to ensure that this happens; and
- ensure that the important cross-cutting priorities such as ICT/e-commerce, equal opportunities and others which may emerge from the National Economic Development Strategy are effectively coordinated and delivered. The Agency may deliver some of the services directly, contract out others to the private sector, and/or arrange for services to be delivered locally.

The role of other key organisations

5.15 **Local authorities** have an important role to play at local level and should be directly involved in the development of the shared National Economic Strategy and Strategic Framework by feeding local economic strategies into the proposed Economic Policy Board. They should be key partners in Business Connect and Team Wales. At local level local authorities should lead the preparation of local economic regeneration strategies as part of their community leadership role, ensuring that local needs are met and that there are appropriate linkages between business support and wider issues such as planning, transport and education.

5.16 The Committee considers that, by agreement with Business Connect partners, local authority support should focus on specific client groups (for example, services to start-ups and micro businesses might be best delivered through a local enterprise agency where one exists or by the local authority where one does not). Local authorities have a role to ensure that the business community receives appropriate advice on other functions such as land use planning, environmental health and so on. They also have a key role in facilitating foreign direct investment at a local level.

5.17 The **Council for Education and Training for Wales (CETW)** should be full partners in the proposed Economic Policy Board and in Business Connect and Team Wales. It will concentrate on delivering human resource programmes. The further and higher education sectors have an important role but should concentrate on delivery of specialist services to business eg training, technology transfer, research and development spin offs

but only deliver general services to business where there is an agreed local need. It is, therefore, important that FHE institutions and HEFCW are partners in Business Connect at regional level.

5.18 The **Wales Tourist Board** should continue to focus on the delivery of specialist services to tourism businesses. However, it should seek to integrate its services with the wider business support available by becoming an active member of the Regional Business Connect consortia and Team Wales. The Wales Tourist Board should not provide general business support services.

5.19 The appropriate roles for **Local Enterprise Agencies** should emerge from the Business Connect Regional Consortia and local economic strategies but the Committee would like to see Enterprise Agencies give a particular focus on smaller SMEs, particularly start ups and micro businesses. Chambers of Commerce provide an important awareness raising and co-ordination role and other not-for-profit and voluntary agencies and should also seek to agree any direct service provision through Business Connect.

5.20 The Committee also believes that steps should be taken to signpost the services of **other organisations** that provide specialist support, such as DTI, and advice on compliance with legal requirements and regulations, eg Customs and Excise, Inland Revenue, Health and Safety, Equality Commissions etc, through Business Connect.

5.21 **The Private Sector** must be involved throughout as an equal partner in the Economic Policy Board and in Business Connect and Team Wales, through high level representation and by chairing one or more of these partnerships. In determining methods to deliver programmes, agencies should seek to exploit and develop the expertise of the private sector such as their international client networks for inward investment, their skills in ITC, marketing, funding etc. Their involvement will be particularly critical to ensuring that services are customer focused and not deliverer led. They should also have involvement in local strategies and delivery.

5.22 The Assembly officials should seek senior business executive membership of the Economic Policy Board. The WDA should seek similar involvement in Team Wales and Business Connect.

Effective Partnership

5.23 The Committee believes that the effectiveness of partnership working and coordination of organisations could be improved by:

- clarifying roles and so avoiding duplication, competition and the creation of new organisations;
- rationalising partnerships wherever possible, giving them realistic goals and making them more action oriented;
- reviewing structures to determine who needs involvement in the decision-making process directly and who could be better involved through genuine consultation outside the partnership;

- channelling funding through partnerships rather than allocating funding competitively to individual agencies but without the need to create new organisations;
- the development of more formal and informal inter-agency contact at all levels;
- breaking down demarcation to effect understanding and more openness between key agencies eg through secondments or cross-membership of agency boards; and
- confirming Business Connect Regional Consortia as the vehicle for coordination and cooperation of all business services from the public and private sector.
- greater openness and transparency in how organisations operate.
- Providing better support to private sector organisations participating in partnerships (eg structural funds).

5.24 The Committee believes that a key constraint on the effective working of many partnerships is their scale. As a general principle partnerships and co-ordinating bodies should review their structures to decide who needs to be involved in the decision-making process directly and who could be better involved through genuine consultation outside the partnership.

5.25 Specific steps which the Committee believes should be taken are:

- the development of more formal and informal inter-agency contact at all levels eg the Economic Development Minister and chairs/Chief Executives of key agencies, senior officials of National Assembly and senior staff in agencies; and
- breaking down demarcation to effect understanding and more openness between key agencies eg through secondments or cross-membership of agency boards.

Renumber as Figure 3a

FIGURE 3: POSSIBLE MODEL FOR POLICY BOARD

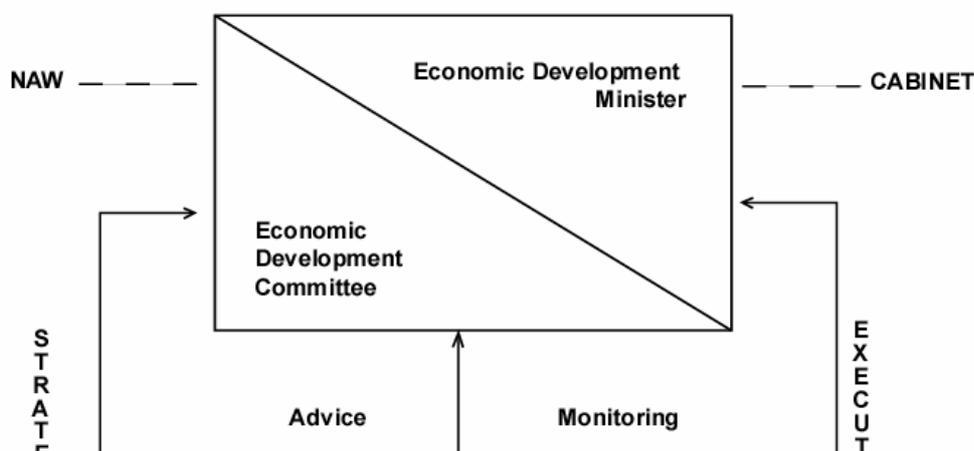
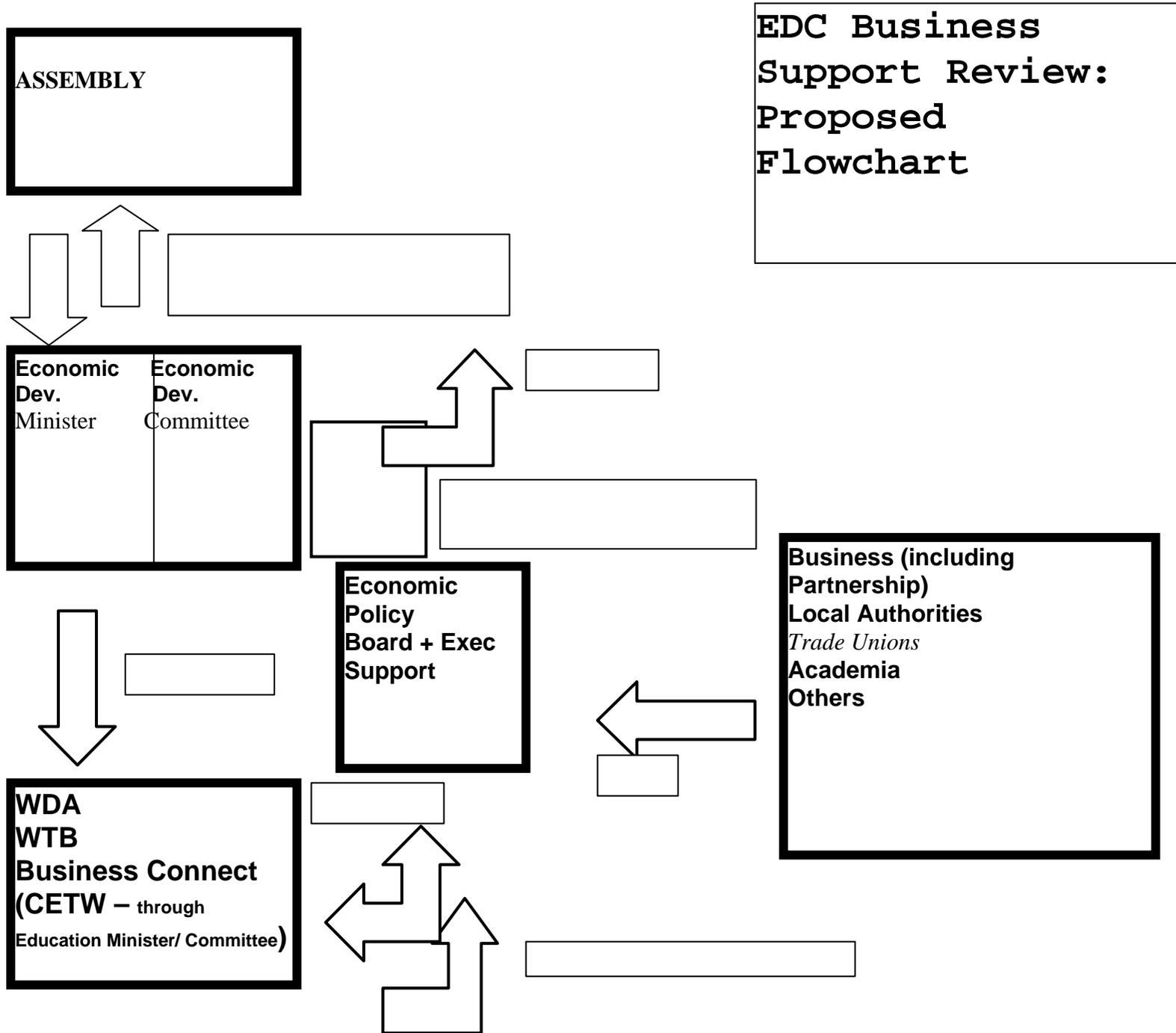


Figure 3b



The delivery of business support

Recommendation 4

5.26 The **gateway** for indigenous businesses of all sizes should be an expansion and enhancement of the current **Business Connect** model. This would include long-standing foreign owned companies as well as indigenous businesses.

5.27 The Committee recommends that the WDA should be given direct responsibility and specific funding for the gateway. A new partnership Board led by the private sector with representatives of WDA, CETW, local authorities and enterprise agencies should be established as a WDA subsidiary (cf Finance Wales) to oversee the strategic direction and priorities of Business Connect. A strong presence from the regional consortia is required and the Boards should be chaired by a representative of business. It is proposed that Business Connect's role at **national level** should be to:

- develop quality standards as a requirement for Business Connect branding;
- agree on core services to be provided by all regions as a condition of Business Connect branding;
- ensure best practice is disseminated across Wales;
- facilitate training of personnel on business needs, service provision and customer care;
- develop methods to monitor and evaluate outcomes; and
- agree on the allocation of resources between all-Wales initiatives and the regions;.

5.28 The primary role of the gateway at the regional level should be to provide easy access to all business services and to coordinate service delivery. The Committee believes that there is an urgent need for Business Connect to deliver effectively in **all** regions to provide:

- easy access for all businesses to a full range of appropriate services;
- a comprehensive information and signposting service;
- a shared client management system; and
- common branding.

Proposed Action

5.29 WDA should form a small working group involving Business Connect Wales Ltd, Business Connect Regional Consortia, WLGA and CETW. Business must be strongly represented within this group and must have a primary role in the reconstructed Board.

5.30 Once this structure has been achieved, which should be within a year at most, the Committee recommends that responsibility be given to the regional consortia to coordinate all client managers within a region within a set of agreed standards set by the Board:

- to ensure continuity in the client relationship,
- to better coordinate service delivery; and
- to facilitate contracts for the delivery of services with the most appropriate agency (private or public sector).

5.31 This will encourage the development of specialist knowledge (eg sectoral) within the client manager pool and also allow more effective service quality control through the separation of the specifier/procurer and provider roles. Figure 4 illustrates the proposals for the gateway.

5.32 In parallel with the programme to establish the single gateway to all services, the feasibility of integrating the client managers within a regional consortia should be investigated and firm proposals brought forward. Further consultation is needed at local level to establish the optimum geographical area for local partnerships.

Support for SMEs

5.33 The Committee believes that local delivery of services is vitally important to most SMEs, especially start-ups and micro-enterprises. Business services delivered nationally should be accessible locally, along with other services available in a locality. Access should be simple and easy, for example through a local business centre, branded Business Connect. A fundamental principle must be that they are client-centred. This means that the business:

- has an active relationship with a specific client manager (with appropriate skills and experience) who is coordinating the delivery of the necessary business services; or
- can readily access through Business Connect the full range of business services with a guarantee of the quality and timeliness of delivery.

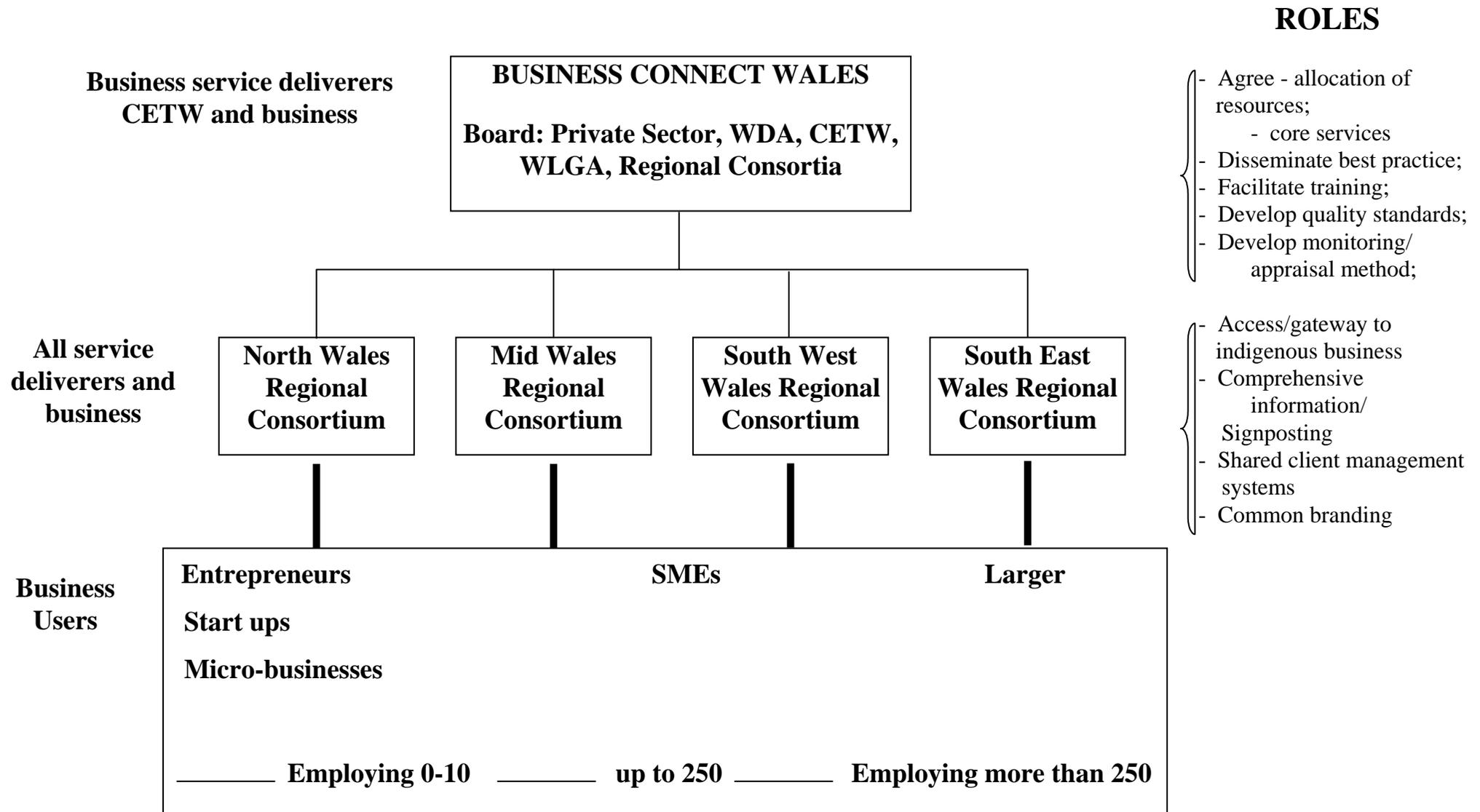
Support for Inward Investors

5.34 **Team Wales** should become the focus for inward investment. To improve service and strategic investment, Team Wales should become a formal partnership of the key agencies, with defined roles and responsibilities for each partner. The expertise and networks of the private sector should be exploited through Team Wales. This would be led by the WDA and include local authorities, CETW and Assembly officials and private sector representatives.

5.35 The Committee recommends that firm plans (fully costed) should be brought forward by the **WDA** in the short term through discussions with its partners to establish Team Wales as an effective partnership. A review should then be initiated to consider ways to improve Wales' inward investment performance.

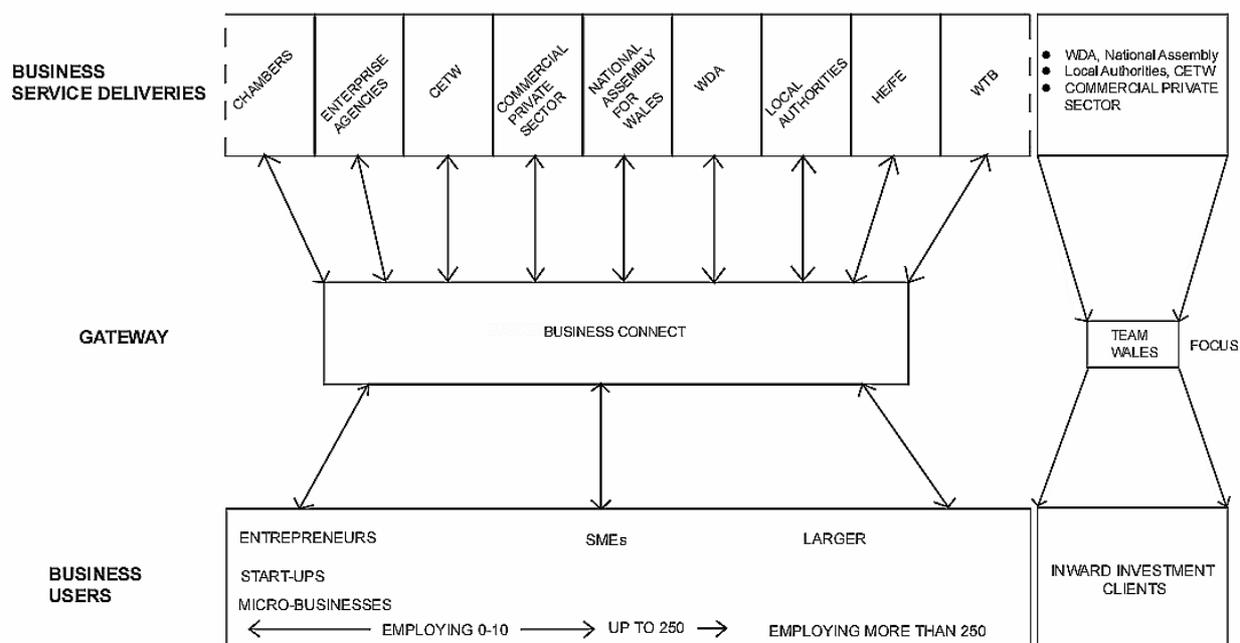
Figure 4

Business Connect Proposals



Renumber as Figure 5

**FIGURE 4 : ILLUSTRATION OF PROPOSED NETWORK ARRANGEMENTS
A FIRST-STOP-SHOP APPROACH**



Developing Appropriate Programmes

5.36 The Committee has sought to focus on strategic issues in this review, for which the National Assembly must take primary responsibility, rather than day-to-day operational issues. However, a number of themes recurred during the consultation relating to programmes which the Committee believes need to be addressed:

- to maintain and enhance **business networks** (eg the sectoral fora, business clubs etc) which may be under threat with the demise of TECs;
- the need to ensure appropriate, speedy access to finance across the whole of Wales and particularly though:
 - the introduction of a Tier 3 Enterprise Grant which would provide better access to funding for Welsh SMEs outside the assisted areas (currently under consideration);
 - more effective promotion of RSA to SMEs; and

- simplifying and streamlining the RSA appraisal process for SMEs with more localised access and delivery.

5.37 These same principles should apply to Finance Wales Programmes.

- ways to improve access to business services through regional call centres for out-of-hours enquiries, improvements to the Business Connect website and IT links and through regional networks of local business centres;
- the need to review Wales' inward investment strategy to make it more focused and particularly in relation to the important North American market as the primary source of knowledge-based FDI;

5.38 There is an urgent need for coordination and upgrading of ICT infrastructure provision. The Committee proposes further investigation of this matter but is also concerned to ensure better coordination of IT training and support for business;

Range of products

- rationalisation of services and “products” being offered in the marketplace, at least in presentational terms, but also to enable the gateway and signposting services to provide a better response; the WDA should set the example in this area;
- the introduction of a consultancy scheme to give business better access to private sector specialisms and to provide client choice. This should be modelled on the previous DTI Consultancy scheme but with more robust safeguards and providing better access to high quality consultancy firms in the “first division”;
- the general requirement for organisations to be customer-focussed not product led. This suggests that each organisation should define which client groups it is best placed to serve (eg start-ups/microbusinesses or larger SMEs etc) and develop services which meet the needs of those groups;
- the need to ensure that women and businesses run by black and ethnic minority people and disabled people are able to access and receive support services; and
- the general need for business services to focus on companies and sectors from which the economy has achieved the greatest benefits; joint research at national and regional level should aim to identify specific businesses likely to benefit from either:
 - active client management (probably a relatively small number of companies, perhaps at most 5,000 in total); or

- provision of specific services on an ad hoc basis.

5.39 The overall objective of these delivery proposals is that any indigenous business either:

- has an active relationship with a specific client manager (with appropriate skills and experience) who is coordinating the delivery of the necessary business services; or
- can readily access through Business Connect the full range of business services with a guarantee of the quality and timeliness of delivery.

Conclusion

5.40 Annex 1 summarises the recommendations, indicates the lead agency to take the proposal forward and the approach. The Committee would want to see these recommendations developed by the appropriate agencies and firm proposals bought forward as a matter of urgency.

Annex 1

SUMMARY OF THE MAIN RECOMMENDATIONS FROM THE REVIEW

	Recommendation	Lead Agency	Approach
	Strategy, Roles and Responsibilities		
1.	An Economic Policy Board should be formed as the vehicle to develop Wales' Economic Strategy and Strategic Framework defining roles and responsibilities and setting clear objectives.	National Assembly for Wales.	Modelled on Irish Forfas board of senior executives from private sector and key public agencies supported by executive body.
2.	An Economic Research Monitoring and Evaluation Unit should be set up to underpin the work of the Policy Board, develop our understanding of the Welsh economy in its global context and monitor and evaluate strategic objectives.	Initially set up in the National Assembly for Wales.	Coopting/seconding research capability of other agencies specifically WDA, local authorities (WLGA) and HE. Utilising private sector specialisms on commercial basis.
3.	Roles and Responsibilities should be clearly defined based on the Assembly setting policy, the WDA as Wales' lead economic development agency and Business Connect as the gateway to all business services.	Economic Policy Board.	Clear definitions of roles and responsibilities will emerge from the Strategic Framework. With the possible exception of RSA the Assembly should withdraw from service delivery.

	Recommendation	Lead Agency	Approach
4.	Business Connect through its Regional Consortia, should become the first-stop-shop gateway to all business services for indigenous businesses;	Business Connect.	The Regional Consortia should continue to develop the gateway concept with a shared client management system and more effective branding. CETW and WTB need to be fully integrated partners. Business Connect Wales should maintain the involvement of business with local authorities, CETW and other main service deliverers eg Local Enterprise Agencies.
5.	Business Connect Wales Ltd should be reconstituted as a partnership within WDA with more executive support.	WDA	WDA should set up a small working group with Business Connect, WLGA, CETW and businesses to agree and implement the change.
6.	Through the Business Connect Regional Consortia, coordination of the client manger pool within a region should be developed.	Business Connect Regional Consortia.	This could encompass client managers within WDA, local authorities, TECs and LEAs.
	- Consultancy scheme to provide better access to private sector specialists;	WDA	A modified version of the previous DTI Consultancy scheme is favoured.

	Recommendation	Lead Agency	Approach
	- rationalisation of services and “products”;	All service deliverers.	
	- better customer focus of services and agencies;	All service deliverers.	
	- better targeting of companies with potential.	Business Connect Regional Consortia	Joint research
7.	Team Wales should be re-established as a small action-oriented team. Wales inward investment performance should be reviewed.	WDA WDA/Team Wales	Team Wales should involve local authorities, CETW/HEFCW and specific private sector partners.
8.	The WDA should review its internal organisation to focus clearly on:-	WDA	Roles should evolve through Business Connect Regional Consortia and should be agreed in the Strategic Framework.
	- start-ups and small firms;		
	- larger business services and specialist initiatives; and		
	- inward investment.		
	Other agencies should also seek to focus on specific client groups to develop specialist services.	All agencies	Agreed with Business Connect Regional Consortia.
9.	The private sector must be involved as an equal partner in the Economic Policy Board, in Business Connect and Team Wales.	National Assembly for Wales WDA	

	Recommendation	Lead Agency	Approach
		Business Connect	
	Partnership Working		
10.	Recommendations to improve partnership working include:		
	- more formal and informal inter-agency contact;	National Assembly for Wales and All.	
	- inter-agency secondment and cross-membership of agency Boards;	National Assembly for Wales and All.	
	- channelling of funding through partnerships.	National Assembly for Wales.	
	Service Delivery		
11.	Recommendations to improve service delivery include:		
	- maintaining and enhancing business networks and sectoral initiatives under threat with the demise of TECs;	CETW with WDA	Local authorities and local Enterprise Agency have also to be involved.
	- introduction of a Tier 3 Enterprise Grant to provide better access to funding for SMEs outside the assisted areas;	National Assembly for Wales. (already under consideration)	A Tier 3 scheme to meet Wales' strategic objective is required likely to be different to the

	Recommendation	Lead Agency	Approach
			English model.
	- promoting RSA to SMEs and streamlining the appraisal process with local access;	National Assembly for Wales	
	- establishing regional call-centres, improving the Business Connect website and a network of local business centres.	Business Connect.	Existing business centres should ideally be rebadged as business Connect.
	- promoting RSA to SMEs and streamlining the appraisal process with local access;	National Assembly for Wales	
	- establishing regional call-centres, improving the Business Connect website and a network of local business centres.	Business Connect.	Existing business centres should ideally be rebadged as business Connect.

Abbreviations

NAW	-	National Assembly for Wales;
WDA	-	Welsh Development Agency;
WTB	-	Wales Tourist Board;
WLGA-		Welsh Local Government Association;
CETW -		Council for Education and Training for Wales;
WEFO -		Welsh European Funding Office;
LA	-	Local Authority;
TEC	-	Training and Enterprise Council;
FSB	-	Federation of Small Businesses;
CBI	-	Confederation of British Industry;
DTI	-	Department of Trade and Industry;
DETR	-	Department of Environment, Transport and the Regions;
RSA	-	Regional Selective Assistance;
ICT	-	Information and Communications Technology;
HEFCW	-	Higher Education Funding Council for Wales;
HEFE	-	Higher Education/Further Education.