

ECONOMIC DEVELOPMENT COMMITTEE EDC-01-02(p3)

Date: 10 January 2002
Time: 14.00 - 16.05
Venue: Committee Room 3, National Assembly Building, Cardiff Bay
Title: DRAFT REMIT LETTERS 2002/03:

WELSH DEVELOPMENT AGENCY & WALES TOURIST BOARD

(A paper from the Minister for Economic Development)

Purpose

1. To seek the Committee's views on the draft Remit Letters for the Welsh Development Agency (at Annex A) and the Wales Tourist Board (at Annex B).

Action

2. The draft Remit Letters reflect the strategic and operation priorities set by the Welsh Assembly Government for the two bodies for the forthcoming financial year.

The Minister would welcome the Committee's opinions on whether the items included in the draft Remit Letters are appropriate, and whether there are other priorities which could usefully be added.

Background

3. The purpose of a Remit Letter is to outline the budget, key priorities and targets that the Welsh Assembly Government expects the Assembly Sponsored Public Body to follow in the forthcoming financial year (2002-03). The priorities contained within the Remit Letter will be reflected in the WDA's and WTB's Business Plans for 2002-03.

Welsh Development Agency

4. This is the first Remit Letter for the WDA. It signifies a change in the WDA's planning cycle, bringing it into line with the Assembly's and other Assembly Sponsored Public Bodies' planning cycles. The changes have been discussed and agreed with the WDA, and full details of the amended planning cycle are attached (at Annex C).

Wales Tourist Board

5. In contrast to the WDA, the Committee has seen WTB Remit Letters in previous years. As with the WDA's Remit Letter, the WTB Letter sets out the priorities for it in 2002-03.

Compliance

6. The WDA was established by the Welsh Development Agency Act 1975 (as amended) and the WTB by the Development of Tourism Act 1969. Powers under both Acts have been transferred to the Assembly and delegated to the Minister for Economic Development and his staff.

7. There is no statutory provision for the issuing of a Remit Letter to the WDA or the WTB. However, to do so is considered best practice, and this is now being extended to the WDA.

Financial Implications

8. There will be no financial implications as a result of issuing these Remit Letters. The budgetary provision contained in the draft Remit Letters reflect the Assembly's own Budget, as agreed on 22 November 2001.

Annex A

Rt Hon Rhodri Morgan AM

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January 2002

WELSH DEVELOPMENT AGENCY: REMIT LETTER 2002-03

1. I am writing to set out my remit for the Welsh Development Agency ("the Agency") for the financial year 2002-03, and to notify you of the Grant in Aid provision established by the Assembly in its Final Budget, approved on 22 November 2001. This letter provides

guidance on strategic priorities and actions that I want the Agency to incorporate into its Business Plan for 2002-03.

2. This is the first Remit Letter issued to the Agency and it represents a departure from the Agency's traditional planning cycle. The purpose of the change is to bring together our planning cycles more effectively, and the Letter seeks to combine aspects of both the old Strategic Guidance and the Budget letters.
3. The Remit Letter replaces and supersedes the previous Strategic Guidance Letter. However, for this year only, this letter will also function as supplementary Strategic Guidance, as promised the last Strategic Guidance letter, issued on 21 March 2001.

Financial Provision for 2002-03

4. The Assembly's budget, finalised on 22 November 2001, gives the following allocations for the Agency:-

Expenditure Groups	£000's
Capital Expenditure	46,674
Capital Receipts	-4,833
Current Expenditure	155,910
Current Expenditure – Finance Wales	4,546
Current Receipts	-76,787
NLF/PDC	599
Depreciation/Cost of Capital (AME)	40,813
Provisions (AME)	1,100
Structural Funds Partnerships	1,810
Running Costs	32,210
Total Welsh Development Agency	202,042

5. In addition, you will be allocated £6.3 million as part of the package of support for those areas affected by the Corus redundancies and £6.8 million as part of the Rural Recovery Plan. You have also been allocated £13.1 million for 'special sites' spread over 2001/02 and 2002/03, and £1 million in 2002/03 for the Business Birth Rate Strategy. There are also a number of ring-fenced budgets for individual projects. The Agency must endeavour to spend these amounts within the financial year to which they are allocated, as there can be no guarantee of authorisation to carry forward any funds underspent.

Budget Assumptions and Corporate Planning

6. For the purposes of drafting your Corporate Plan, the Agency should work on the basis of the following indicative allocations for the next two years:-

	2003-04	2004-05
Capital Expenditure	50,321	50,321
Capital Receipts	-4,175	-4,175
Current Expenditure	151,936	151,936

Current Expenditure – Finance Wales	4,500	4,500
Current Receipts	-70,868	-70,868
NLF/PDC	599	599
Depreciation/Cost of Capital (AME)	38,268	38,268
Provisions (AME)	1,100	1,100
Structural Funds Partnerships	1,878	1,878
Running Costs	32,210	32,210
Total Welsh Development Agency	205,769	205,769

7. These indicative allocations will be reviewed each year, and the Agency's Corporate Plan should identify outputs based on 90, 100 and 105 per cent of these allocations.

A Winning Wales

8. The policies of the Agency must be in accord with the aims, strategies and programmes of the Welsh Assembly Government. The Agency had a significant involvement in the development of *A Winning Wales*, the National Economic Development Strategy, which was adopted by the Assembly on 13 December. *A Winning Wales* forms the basis for our policies to transform the Welsh economy over the next ten years.
9. In drawing up all its future plans, the Agency must work towards the aims of, and within, the framework provided by, *A Winning Wales*. With very much expanded responsibilities for economic regeneration and development, I expect the Agency to take a leading role in delivering the objectives of *A Winning Wales*, in particular working in partnership with Education and Learning Wales (ELWa) on those many issues where skills development is intertwined with economic development, as well as with other key stakeholders.

Key Priorities

10. In drawing up its future plans, the Agency should seek to strike an appropriate balance between its capital and revenue programmes, and between support for homegrown and Welsh-based businesses and inward investment. This should include identifying and developing strategic employment sites and ensuring the provision of a suitable range of premises for business. Key priorities for the year 2002-03 should include:-
11. Entrepreneurship/Innovation - Our long term economic ambitions will not be achieved unless the entrepreneurship and innovation cultures in Wales are significantly strengthened. I expect the Agency to give these issues even higher priority in the future and to ensure support programmes are designed to help Wales move into the vanguard of knowledge economy developments.
12. The Assembly has given the Agency responsibility for the SMART Wales suite of grants (the Small Firms Merit Award for Research and Technology, Support for Product Under Research and the Regional Enterprise Grant for Innovation) from April 2002. The Agency has agreed to review these schemes, and seek state aid approvals for the revised schemes, during 2002/03. In addition, I expect the Agency to play a full role in the implementation of the Entrepreneurship Action Plan, and to build on the enterprise

programmes inherited from the Training and Enterprise Councils in April 2001.

13. Information and Communication Technology – Cymru Arlein – Online for a Better Wales sets out the Assembly Government’s framework for delivering the benefits ICT can offer Wales. I expect the Agency to play its full part in delivering against the policies and activities set out in Cymru Arlein, particularly in delivering Broadband Wales, helping Welsh businesses trade effectively online and combating the digital divide through a combined e-communities programme. I also expect the Agency itself to partake fully in electronic government by delivering appropriate services electronically and utilising corporate infrastructure such as the Welsh Public Sector Network when available. I expect the Agency to work closely with its key partners, particularly my Cymru Arlein Unit, in delivering this key cross-cutting area.
14. Business Support Review - Following consideration of the recommendations from the Economic Development Committee’s Review of Business Support and Development Services, the Agency is now the lead body in Wales for the delivery of business support services. I expect the Agency to work with its key partners in the delivery of all business support services; to ensure that these meet the needs of customers with the market meeting those needs wherever possible. I expect the Agency to play a central role in the operation and development of an effective Gateway for Business Support and ensure the delivery of high quality services at the all-Wales and local level.
15. Rural and Community Development - I expect the Agency to play a full and active part in taking forward the Assembly’s policies for the economic development of rural Wales. This includes Farming Connect and support for rural businesses, implementing the Rural Recovery Plan and continuing the Agency’s close involvement in the Wales Rural Partnership. In addition, the Agency should continue to develop and implement policies to support and develop businesses in the Agri-food sector. Throughout Wales, I expect the Agency to work with Local Authorities and other appropriate partners in the context of developing Community Strategies.
16. Marketing of Wales - Overall responsibility for the strategy for the marketing of Wales will continue to rest with the Welsh Assembly Government. The close synergy between the promotion of Wales as an inward investment location and the wider marketing of Wales, including international trade, requires the Agency and the Government to work closely together, and with other key stakeholders, in promoting Team Wales.
17. Finance Wales – The Agency should promote the growth of its new subsidiary, Finance Wales, in order for it to reach its full operating potential quickly and effectively. I see Finance Wales as one of our key levers for development and expect to see real progress in this area over the coming year.
18. Corus – The Agency should continue its work in relation to the implementation of the support package drawn up as a consequence of the Corus closures, and any other subregional strategies.
19. Ryder Cup – The securing of the Ryder Cup, to be held in Wales in 2010, opens up tremendous opportunities to market Wales and attract new investment. I am looking to the Agency to develop its marketing plans and activities to fully exploit the opportunities that the Ryder Cup will present, both in the UK and overseas. Further, I am expecting

the Agency to continue its role in delivering the commitments made in the Bid Document.

Objective 1 and European Funds

20. The Agency will continue to play a full and effective part in providing executive support for the management of all relevant European funding packages, and I am looking to you to develop the Agency's work in a way which reflects the opportunities which Objective 1 in particular represents. It will be important that optimal use is made of the resources available to the Agency as an element in match-funding packages.

Partnership Working

21. I expect to see the Agency continue and extend its partnership working with the other key players in economic development, namely ELWa, the Wales Tourist Board (WTB), Wales Trade International (WTI) and others, including formally consulting those organisations in the drawing up of the Agency's Business and Corporate Plans.

Targets

22. I summarise below the four key indicators of performance, based on the Agency's gross budget for 2002-03. I also expect the Agency to include in its draft Business Plan detailed proposals for output targets for 2002-03, including a breakdown between Objective 1 and non-Objective 1 areas.

	2001-02 Target	2001-02 Forecast Out-turn	2002/03 Target
Jobs Created	24,300	27,550	15,000
Jobs Safeguarded	(aggregated)	(aggregated)	16,000
Private Sector Investment	£538.6m	£556m	£620m
New Business Starts	4,236	3,640	4,000

23. I also expect the Agency to continue its work on the development of high level three-year strategic targets, in conjunction with Assembly Government officials, as part of its Corporate Planning cycle. These three-year targets should be consistent with the targets in *A Winning Wales*, and be based on the net additional value the Agency can bring to the Welsh economy through its activities.

Evaluation, Monitoring and Review

24. It is essential that our economic policy-making be supported by the best possible analysis of the issues and problems facing the Welsh economy. The Agency will participate in the work of the new Economic Research Advisory Panel and support the Assembly's new Economic Research and Evaluation Unit in developing and

implementing a practical research and evaluation programme to improve our understanding of Welsh economic issues, monitor current policies and inform the development of future initiatives.

25. The Agency must continue to learn from, review and improve on its own performance to ensure that its actions are the most effective and provide value for money. This should include working closely alongside the Assembly Government and other key partners to ensure effective regular evaluation of its own programmes and to use evidence of "what works" in Wales and elsewhere to inform its policy development.
26. Copies of this Letter will be placed in the Assembly Library and copies will be sent to Assembly Ministers, the Chair of each Subject Committee, the Auditor General for Wales, the National Audit Office, Education and Learning Wales, the Wales Tourist Board, the Welsh Local Government Association, the Confederation of British Industry Wales and the Wales Trades Union Congress.

Annex B

Rt Hon Rhodri Morgan AM

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January 2002

WALES TOURIST BOARD: REMIT LETTER 2002 – 03

1. This letter sets out the strategic priorities and operational activities that I want the Wales Tourist Board ("the Board") to incorporate into its Corporate Plan for 2002-03 and onwards and its related Operational Plan for 2002-03. It also sets out the Board's budget allocations for 2002-03; and for planning purposes only, it also provides indicative budgets for the following two years.

Board's Budget for 2002-03

2. The Assembly's budget, finalised on 22 November 2001, gives the following allocations for the Board:-

Budget Expenditure Lines (BELs)	£000's
Running Costs	4,700
Grant-in-Aid – other	12,386
Capital Grant S4	3,150
Total	20,236*

* *See paragraph 3 below.*

3. In addition to this, the Board will receive an additional £2.2 million for marketing and development work and a proportion of a further £2 million under the Rural Recovery Plan (shared with the Countryside Council) in 2002-03. The Board must endeavour to spend all allocated funds (including EU and Match Funding resources) within the financial year to which they are allocated as there is no guarantee that any unspent funds can be carried forward. The payment of grant continues to be contingent on compliance with the contents of the Board's Management Statement and Financial Memorandum.

Budget Assumptions & Corporate Planning

4. For the purposes of finalising your Corporate Plan, the Board should work on the basis of the following indicative allocations for the next two years:-

	2003-2004	2004-2005
	£000	£000
Running Costs	4,700	4,700
Grant-in-Aid – Other	13,736	13,736
Capital Grant S4	3,150	3,150
TOTALS	21,586	21,586

5. These indicative allocations will be reviewed each year, and the Board's Corporate Plan should identify outputs based on 90, 100 and 105 per cent of these allocations. All ASPBs need to work towards aligning their planning process with that of the Assembly. I know that the Board is working towards this.

6. I want the Board to consult with the WDA, ELWA and the other key economic agencies when drawing up its Corporate and Operational plans and confirm that this process has been carried out. Where appropriate, relevant Divisions within the Assembly should be consulted.

Economic Context

7. The Welsh Assembly Government is committed to transforming the economy of Wales and has set out a framework for doing this in its 10-year National Economic Development Strategy, *A Winning Wales*. This Strategy, which the Board was closely involved with, is designed to serve the Assembly Government's three key themes of sustainable development, social inclusion and equality of opportunity and focuses on the approach contained in 'Plan for Wales 2001'.

8. I expect the Board to work within this framework and ensure that its activities are in accord with the aims, policies and programmes of the Assembly.

9. As part of this, I want the Board to take a leading role in achieving the aims of *A Winning Wales*, acting strategically and in partnership with the other ASPBs in economic development and key stakeholders in that field, particularly the local authorities. The Board should also take account of the principles set out in the Assembly's Local Government Partnership Scheme and the need to work within the agreed model of balanced representation from the public sector, social partners and the voluntary sector.

Priorities

10. **Strategic: In pursuing the aims of *A Winning Wales* I would like the Board to focus on:-**

- i. Implementing Wales' national tourism strategy *Achieving Our Potential*;
- ii. Promoting Information and Communication Technologies;
- iii. Ensuring that European Structural Funds are used to maximum effect;
- iv. Support tourism development in Rural Areas;
- v. Support and invest in sustainable tourism and recreation and promotion of Green Tourism;
- vi. Promote Welsh culture, heritage and environment as key strengths; and
- vii. Contribute towards the development of an international branding of Wales.

10. **Operational: In working towards the strategic aims of *A Winning Wales* I want the Board to play a full part in taking forward the appropriate actions set out in Annex 1 of *A Winning Wales* and:-**

- i. Work with other bodies to help develop an 'Events Strategy' to support and attract major events to Wales (by April 2002);
- ii. Fully exploit the opportunities that the Ryder Cup will present, both in the UK and overseas. I also expect the Board to continue its role in delivering the commitments made in the Bid Document.

- iii. Play an effective part in implementing the Rural Recovery Plan and continue its involvement with the work of the Wales Rural Partnership;
- iv. Continue its work in developing and supporting tourism projects under EU programmes by maximising Objective 1 and utilising match funding resources where necessary;
- v. Produce a framework Cultural Tourism Strategy to help promote opportunities for visitors to experience the cultural and environmental assets of Wales. The Board should work with Cymru'n Creu in doing this;
- vi. Work closely with the BTA in assessing and monitoring Wales' overseas markets following the FM outbreak and the terrorist attacks in the USA. The Board should review its planned marketing campaigns both at home and overseas in the light of its market assessment;
- vii. Formally establish four Regional Tourism Partnerships which will have responsibility for implementing regional tourism strategies in their areas. In doing this effective working partnerships should be established with the support of local authorities and the local tourism industry;
- viii. Press on with the final stages of implementing the Destination Management System and promote its use within the tourism industry;
- ix. Work with ELWa and TTW and other training bodies to improve training, professionalism and the career structure within the tourism industry; and
- x. Work with the Assembly Government on re-notifying its Section 4 Capital Grant Scheme to the EU Commission.

(xi) Work with the Business Support network in Wales to provide specialist business support for the tourism industry

Specific Targets

12. I expect the Board to include in its Corporate Plan the following targets for 2002 - 03:-

Tourism Spend

Contribute towards an average annual increase in tourism expenditure of at least	Target 6%
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Capital Investment

Leverage (WTB:Total project cost)	Target 1 : 5
Private Sector Investment	£15.5m
Total Investment Generated	£28m
Number of Jobs:	- Created 400

Marketing Targets

UK Marketing Campaign	Target
WTB's expenditure on its UK marketing campaign - ROI (Return/conversion:WTB expenditure)	30:1
Overseas Priority Markets to Wales	
WTB's expenditure on its Overseas priority markets - ROI (Return/conversion:WTB expenditure)	12:1
Promotion of Destination Management System	
Number of businesses actively:	
- using (and maintaining data) DMS	2,700
- using DMS for E-Commerce/bookings	650
Star Quality Grading Scheme	76%

Proportion of 3, 4 and 5 star accommodation businesses to increase from 74% to

13. In addition to these targets, which relate to core funding from the Assembly Government (including match funding), the Board also has specific Objective 1 targets.

Evaluation, Monitoring and Review

14. It is essential that our economic policy-making be supported by sound market research and intelligence on the issues and problems facing the Welsh economy. To help with this the Assembly is establishing a Economic Research Advisory Panel to bring together representatives of the main ASPBs, social partners, academics, applied researches and officials in the relevant Assembly policy groups. This panel will advise on a specific programme of practical economic research and evaluation. I want the Board to participate in the work of this Panel.

15. As you know, the Board's Quinquennial Review is now well underway and I expect the Board to work with officials to take forward the findings of the Review through a formal Implementation Plan.

16. Copies of this letter will be placed in the Assembly Library and copies will be sent to Assembly Ministers, the Chair of each Subject Committee, the Auditor General for Wales, the National Audit Office, the WDA, ELWa, the WLGA, CBI and the Wales TUC.

ANNEX C

AMENDMENTS TO THE WDA'S PLANNING CYCLE

In order to bring the Welsh Development Agency's planning cycle into line with the Assembly's own, and that of other Assembly Sponsored Public Bodies, the Minister for Economic Development has agreed a number of changes to the Agency's planning cycle. These changes are detailed below.

Strategic Guidance Letter

The Agency's Strategic Guidance Letter has traditionally been the first stage of its planning cycle, issued annually in March. This letter has informed the Agency's Corporate Planning process, which then flows into the drafting of the Agency's next Business Plan. Therefore, the Letter does not impact upon specific Agency activity until the following April, some 13 months after it was sent. This delay makes the letter too blunt an instrument to reflect current policies and priorities of the Assembly Government, and it has been decided to scrap the Strategic Guidance letter altogether.

Corporate Plan

No changes have been made to the Corporate Planning process. The Agency should draft its Corporate Plan in line with *A Winning Wales* and other key Assembly documents. It should also reflect and build upon the previous Corporate Plan. A draft Corporate Plan will continue to be presented to members of the Economic Development Committee for their comments in June/July.

Remit Letter

In the past, the Agency has drafted its annual Business Plan to reflect the priorities in its previous Corporate Plan. In the future, the Agency's Business Plan should draw on both the Corporate Plan and a 'Remit Letter' from the Minister of Economic Development. A draft of this Remit Letter will go to the Economic Development Committee (usually in December, although it is January this year), following the announcement of the Assembly's budget. It will include details of the Agency's budget, key priorities and targets for the Agency for the following financial year.

Business Plan

No changes have been made to the Business Planning process. The annual Business Plan will be presented to the Economic Development Committee, as a paper to note, in March. It will

also require approval by the Minister for Economic Development.