

<b>Date:</b>	<b>8 May 2002</b>
<b>Time:</b>	<b>14.00 - 17.30</b>
<b>Venue:</b>	<b>Committee Room 1, National Assembly for Wales, Cardiff Bay</b>
<b>Title:</b>	<b>FIVE YEARLY REVIEW OF THE WELSH INDUSTRIAL DEVELOPMENT ADVISORY BOARD (WIDAB)</b>

### **Purpose**

1. To offer members an opportunity to comment on the draft review report.

### **Summary**

2. This paper attaches the draft review report.

### **Timing**

3. If members have any observations they wish to make to me before the report is finalised, please let me have them by 24 May. Following any revisions after consideration of such comments, the final report will be published on the Internet.

### **Background**

4. Edwina Hart's written Cabinet Statement of 21 December 2000, on the regime for reviewing **non executive** Assembly Public Bodies (ASPBs) and other similar bodies, affirmed the Cabinet's commitment to continuing this review regime, in a more open way than in pre Assembly days. An Assembly official, Martin Rolph, produced the attached draft review report after consulting the chair of WIDAB, officers of the Assembly, and attending a meeting of WIDAB.

### **Consideration**

5. The draft report makes the following recommendations:
  - that **WIDAB continues to exist. (para 6.6)**
  - that **WIDAB, supported by its officials and in consultation with main stakeholders (eg WDA) should produce a draft mission statement for its activities for the consideration, and if content approval, of the Economic Development Minister. (para 8.4)**
  - that **hand in hand with developing a mission statement, WIDAB and EDD should consider regularly where WIDAB's advice might be a useful input to activities within its statutory remit but beyond the consideration of individual cases. (para 8.5)**
  - that **EDD review all RSA literature which refers to WIDAB to see whether any reference to WIDAB is necessary, and if it is whether it needs redrafting to remove fuelling any unintended and unjustified inferences that it is a "problem" for the applicant if**

**their RSA application is to be considered by WIDAB. (para 8.6)**

**- that EDD puts a note to WIDAB once a year indicating whether it thinks that the RSA grant referral limit remains appropriate and (having taken WIDAB's views) advises Ministers if they think there is a case for change. (para 8.7)**

**- that EDD considers how to use the regular turnover of members, and therefore the opportunity for some new appointments, to increase the number of female members of WIDAB over the next 5 years, and to appoint at least one member of an ethnic minority onto the Board. (para 8.10)**

### **Crosscutting Themes**

6. The terms of reference of the reviews included reference to the Assembly's three key themes of equality, social inclusion and sustainability. Equality issues (in relation to membership) have been raised in the report. The themes of equality and social inclusion are reflected in issues the Board addresses.

### **Action**

7. Committee members are invited to let me have any comments they may have on the draft attachments by the 24 May.

Andrew Davies AM  
Minister for Economic Development

# **5 YEARLY REVIEW OF THE WELSH INDUSTRIAL DEVELOPMENT ADVISORY BOARD (WIDAB)**

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## **1. INTRODUCTORY INFORMATION**

### **Terms of Reference**

1.1 The terms of reference for this review are

“to consider whether there is a continuing need for the Welsh Industrial Development Advisory Board and whether the WIDAB provides good value for money and is efficient and effective. The review will consider the WIDAB’s cost effectiveness, the value of its work and whether that work can be done by the Assembly Government or other body(ies).

The review will make recommendations about the composition and operation of the WIDAB and its management and staffing support. The review will also consider the way the Assembly sponsors the WIDAB and monitors its performance and its relationship with other related public bodies in ‘Team Wales’. The review will make appropriate recommendations, in particular in the context of Better Wales, the Partnership Agreement, the draft Plan for Wales and the three key themes of social inclusion, equality and sustainable development.

The review will consider the contribution made by WIDAB to maximising economic growth and industrial development in the context of changing technology and widening for jobs and projects”

### **Powers under which WIDAB exists and operates**

1.2 WIDAB is established under section 13 of the Welsh Development Agency Act 1975 (as amended). WIDAB’s role is currently set down in 13(1) of the 1975 Act. At the time this Act came into force (1 January 1976) , WIDAB’s role was to advise the Secretary of State as to his functions under Section 7 of the Industry Act 1972. In January 1983, the Industrial Development Act 1982 came into force. One effect of the 1982 Act was to repeal section 7 of the 1972 Act – consequently WIDAB’S role became advising the Secretary of State as to his functions under section 7 of the 1982 Act. On 1 July 1999, the functions of the Secretary of State under section 13 of the Welsh Development Agency Act were transferred to the Assembly.

### **Powers of the Assembly to review and implement changes**

1.3 Section 28 of the Government of Wales Act 1998 provides the Assembly with the power to reform certain Welsh public bodies. Under section 28 , the Assembly may , by order (exercisable by statutory instrument) , transfer the statutory functions of certain Welsh public bodies to certain other Welsh public bodies. WIDAB is listed as one of the bodies concerned (part 1 of schedule 4 of the 1998 Act)

### **Purpose and Function**

1.4 The powers under which WIDAB exists and operates provide its broad raison d’etre. It does not currently have a constitution, beyond the statutory provisions relating to it described at paragraphs 1.2 and 1.5.



## Membership Composition

1.5 The Welsh Development Agency Act 1975 requires the Board to consist of a Chairman and not less than four nor more than seven Members and is to include persons who appear to the Welsh Assembly Government to have wide experience of and to have shown capacity in industry, banking, accounting, finance and trade union matters. The appointments are currently unpaid [but see para 1.14 below] and are usually for three year periods. Subject to a satisfactory spread of experience on the Board as a whole, members have usually been invited to serve a second term., sometimes a third, but no more than three terms in total. Following a recommendation from the last review , the quorum has been established as the chair plus 3 members. At present only one member of the Board (the chair) is female , and there are no members of ethnic minorities among the members.

## Meetings

1.6 Normally the Board meets once a month (currently on the first Tuesday of each month) with the possibility of additional meetings if needed. Typically about one extra meeting per year also takes place – usually when it is considered essential to have WIDAB’s input to an RSA decision which could not wait until after the next monthly meeting.

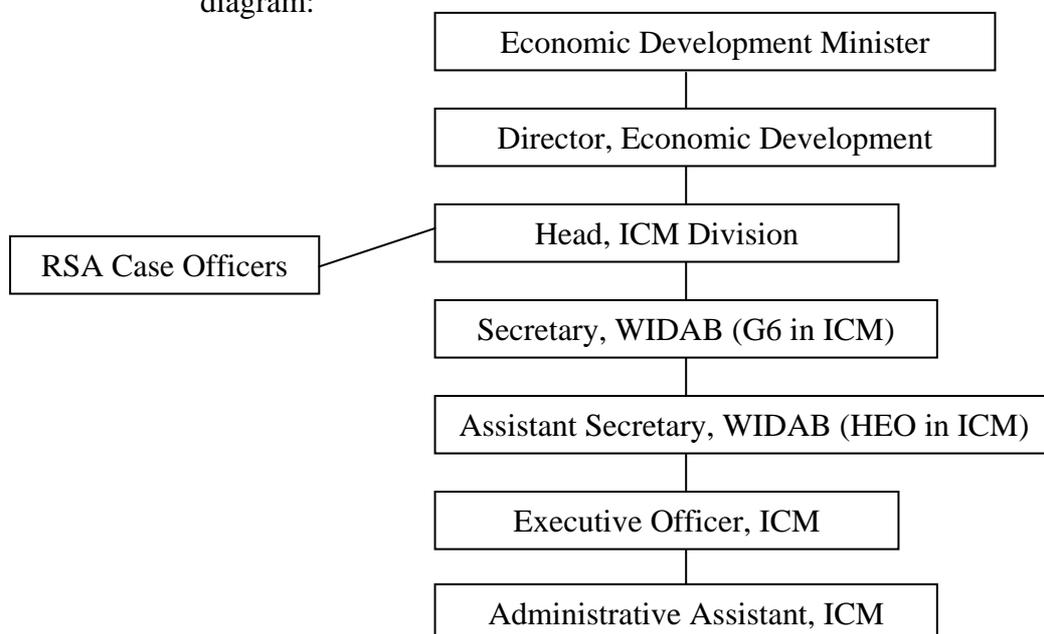
## Sub Committees

1.7 WIDAB has no sub-committees.

## Assembly staff contributing to WIDAB’s work

1.8 The Secretariat of WIDAB is provided by staff of the Investment and Corporate Management (ICM) Division of the National Assembly. Assembly staff who advise on the RSA cases to be considered by WIDAB normally attend its meetings.

1.9 The reporting arrangements for these staff are described in the following diagram:



## **Assembly expenditure arising directly from the existence of WIDAB**

1.10 This expenditure consists of:

- i. members' loss of earnings allowances, and travel and subsistence expenses
- ii. cost of Assembly staff contributing to WIDAB's work

1.11 The following table provides information about these costs in 2000-2001. Examination of earlier costs reveal a broadly level trend allowing for inflation.

### **WIDAB's Direct Costs to the Assembly 2000-2001**

Travel and subsistence	£ 2,150
Miscellaneous (Refreshment, Venue, Stationery, Recruitment etc.)	£13,800
Assembly Staff Costs (see para 1.12)	£36,719
<b>Total</b>	<b>£52,669</b>

1.12 The following table provides information about Assembly staff costs per year.

Grade	Approx Staff Cost
SCS 1	£ 1,570
G6	£10,835
HEO	£ 8,432
EO	£12,387
AA	£ 3,495
<b>Assembly Staff Costs</b>	<b>£36,719</b>

1.13 WIDAB's existence also results in more modest costs for other parties, especially the Welsh Development Agency, who normally field an official at its meetings when they have been involved in cases under consideration.

### **Payment of Members**

1.14 [NOTE – piece to follow (*when it can be put in the public domain*) merely referring to the implementation of the policy – I will add no comment, except that it will add about £40,000 to the annual costs of WIDAB]

### **Methodology**

1.15 Martin Rolph, an Assembly Government official who is not a member of the staff of the Economic Development Directorate, undertook this review between September and December 2001. In separate meetings I met the First

Minister (then acting also as Economic Development Minister), the chair of  
WIDAB, the Chief Executive of the Welsh Development Agency, the

International Development Director of the WDA, staff of the National Assembly. I was also an observer when senior and case officers of the Economic Development Department met representatives of the leading consultancies working on RSA applications to the Assembly Government to discuss general Regional Selective Assistance.

- 1.16 I attended a WIDAB meeting and received documents; attended a meeting of the Industrial Development Advisory Board, which performs for England the role WIDAB does for Wales (but only for applications for over £2 million) and met staff who support its operation ; met the staff who support the operation of the North West of England IDAB (which considers applications for £250,000 to £2 million of grant in that region); and met officials who do the same for the Scottish IDAB. The Chair of WIDAB was then consulted on the draft report before it was submitted to Ministers and the Economic Development Committee for consideration.

## 2. PREVIOUS REVIEWS

- 2.1 The last 2 reviews of WIDAB were carried out in early 1995 and late 1990. The 1995 review concluded that “The Board was achieving the objective set for it by legislation. The present arrangements for its operation are economic and effective though a raising of referral limits might produce economies in the work of the Industrial Development Division. Minor changes in its composition, should the appropriate candidates become available, might provide some benefits. It has the potential to provide wider advice should such advice be sought. There is no need for further specialist advice to be made available to it. In sum, the Board is providing good value for money.”
- 2.2 The referral limit (which this report calls the “limit” from here onwards) is the amount of RSA grant above which applications are referred to the Board; below that level cases are dealt with by officials (“Director’s cases”). The current limit is £250,000 – at the time of the last review the limit was £125,000, and at the time of the 1990 review it was £100,000.

## 3. OUTPUT

- 3.1 WIDAB’s output consists of recommendations to the Economic Development Minister in respect of the cases put before it. Cases are submitted to the Board with officials’ appraisal (typical structure of a case paper prepared for WIDAB is described at Annex 2) and a recommendation from the Head of ICM Division whether grant should be paid and if so , the amount to be paid and any recommended preconditions. The Board can recommend accepting officials’ advice, rejecting an application or that a lower (or – subject to over-riding limits of the amounts that could be offered in a particular case – higher) grant be paid than officials recommend. The Board does not see cases which officials consider should be clearly rejected.
- 3.2 At a typical meeting, WIDAB deals with 4-6 applications - although its workload is demand-led, and the number can sometimes be significantly higher.
- 3.3 Although WIDAB exists to “advise” Ministers, in practice its advice has always been accepted by Ministers. Should a Minister decide not to take WIDAB’s advice, WIDAB **could** (by statute) require the Minister to lay the reasons why before the Assembly.

3.4 The following table gives an indication of the volume of applications considered and dealt with by the Board and as Director's cases.

	Applications Received		Offers Made		Grant Offered (£m)	
	Board Cases	Director's Cases	Board Cases	Director's Cases	Board Cases	Director's Cases
1995-1996	59	159	43	137	57.8	8.5
1996-1997	49	154	45	136	73.1	11.4
1997-1998	37	126	30	127	109.4	11.5
1998-1999	37	105	37	98	59.2	7.9
1999-2000	45	129	31	115	53.8	9.8
2000-2001	60	141	47	120	104.1	11.9
Apr-Dec 01	41	172	39	154	84.3	16.3

Notes: "Applications Received" refers to all applications received; applications over £250,000 are classed as "Board Cases" **whether or not** they go to WIDAB. Such applications may subsequently be revised downwards (to below £250,000) or rejected by officials and therefore not considered by WIDAB.

3.5 In the table above, offers made in any one period may include offers on applications received in an earlier period. It is difficult to draw very precise conclusions from the above table, but broad patterns are very clear. Very roughly, while only about 30% of both applications received and offers made are on cases which go to WIDAB, by value of grant offered over 85% relates to WIDAB. This gives WIDAB a very significant direct involvement in the RSA decision making process.

### Review of the "Quality" of WIDAB advice

3.6 WIDAB reviews its advice by looking at the outcome (grant actually paid, investment made, jobs safeguarded or created) of applications considered at earlier meetings. RSA applications take time to mature – a project usually lasts between 1 and 5 years, typically about three years. Otherwise there is no specific review of the "quality" of WIDAB's advice or of the outcomes of it being followed by the Minister taking the formal decision.

3.7 At the UK level there is a periodic review of RSA – the last review was completed in 2000. It concluded that RSA continued to operate in a cost effective manner and had contributed to reducing the gap in unemployment between assisted and non-assisted areas.

#### **4. PLANNING**

- 4.1 There is little long term planning in the running of the WIDAB as it is essentially a reactive body - it cannot be known way in advance how many or which cases will come before it (if it could, it is likely there would be unnecessary delay in the consideration of RSA applications). However since WIDAB case papers always include financial and technical appraisals (and also some companies press for urgent decisions) officials prioritise cases for WIDAB agendas.
- 4.2 The main “planning” for the Board itself is therefore the fixing of dates for each of the 12 monthly meetings well in advance (there is exceptionally scope to have ad hoc meetings in cases of urgent need - typically this happens about once a year). In addition a number of items take place which are not strictly attached to advising on individual applications; for example, in Spring 2001, there was an “awayday” where members considered their own modus operandi, and each year the WIDAB chair puts his or her name to a report about Wales in the UK-wide Report whose publication is required under the Industry Act.
- 4.3 Officials also update members on the main issues of the day relevant to industrial development in Wales – for example , the development of the Welsh Assembly Government’s National Economic Development Strategy.
- 4.4 The other main type of planning related to WIDAB relates to the making of appointments to it. The process followed by Welsh Assembly Government Ministers and officials is similar to that for all advisory ASPBs. There is an attempt to maintain a regular gradual turnover of members to achieve a balance and to blend between the benefits of experience built up through considering a range of cases, and on the other hand the fresh perspectives and experiences new members bring.

#### **5. FINANCE**

- 5.1 WIDAB has no budget of its own. Paragraphs 1.10 – 1.12 refer to the expenditure incurred, directly and indirectly, by the Assembly because of its existence.

## 6. IS THERE A CONTINUING NEED FOR WIDAB?

6.1 A more complex initial question in this section might be “Does WIDAB add value to the decision making process and is it better than alternative arrangements?” The most likely alternative to having WIDAB would be for all decisions to be made by officials (as with cases below £250,000). While WIDAB often comments on issues relating to individual applications (whatever its overall advice on acceptance or rejection), it rejects or requires the re-submission of only a minority of applications referred to it, as the following table shows:

		<b>Total WIDAB cases*</b>	<b>No rejected or Re-submitted</b>
1998-1999	No	33	3
1999-2000	No	37	8
2000-2001	No	56	6

\*number of cases considered by the Board (most recommended for approval by officers).

6.2 Rather more frequently (but not often) it does not accept officials’ recommended levels of grant. It might therefore be felt that WIDAB usually merely endorses officials’ advice. But this is far from an automatic process. Board members closely scrutinise applications before meetings and interrogate officials in depth at meetings. Officials regard WIDAB meetings as a challenge and take the trouble to be well briefed; they consequently consider carefully their advice to WIDAB and have regard to the Board’s views.

6.3 The existence of WIDAB is itself a strong quality control and helps ensure that applications referred to it are assured of a proper and detailed appraisal, in the interests of obtaining good value for money for the public funds concerned, and of the Welsh economy generally.

6.4 In addition, WIDAB brings particular qualities to the process:

- members have expertise and knowledge gained from specific commercial backgrounds which often complements that of officials and which help to develop the knowledge, skills and expertise of case officers and individuals;
- they are independent, providing assurance to industry that recommendations for financial support are made by people currently working in business.

- 6.5 Last, but not least, the main current customers for its output (the First Minister and the Economic Development Minister) value WIDAB's advice highly.
- 6.6 For these reasons I am satisfied that the existence of WIDAB improves the decision making process. **I recommend that WIDAB continues to exist.**

### **Merger with Other Bodies?**

- 6.7 The question of merger or transfer of the WIDAB function with or to another body must be considered as part of how RSA is administered, for WIDAB exists only as part of the process of considering RSA applications. The most obvious option for RSA to be administered from outside the Assembly Government would be to transfer it to the Welsh Development Agency, an option which would then open up questions about the future of WIDAB.
- 6.8 The Interim Report of the Quinquennial Review of the WDA, published in September 2000 considered the option of transferring Assembly-provided business support services generally to the WDA, and recommended that responsibility for administering RSA should remain with the Assembly (extract copied at Annex 2). I see no reason, from the narrow focus of reviewing WIDAB, to take issue with that finding, as it formed part of a wider ranging review than this one.

## **7. LESSONS FROM HOW THE WIDAB ROLE DEALT WITH ELSEWHERE?**

- 7.1 The primary legislation governing Regional Selective Assistance, the Industry Act 1982, provides for similar statutory advisory bodies to be involved in the process in Scotland and England.
- 7.2 As part of the collection of evidence for this review, I met officials of the Scottish Executive and Scottish Development International, to discuss the operation of the Scottish Industrial Development Advisory Board (SIDAB); officials of the Government Office of the North West of England who are involved with the operation of the North West Regional Industrial Development Board (one of seven Regional Industrial Development Boards (RIDBs) in England); and officials of the Department of Trade and Industry in London to discuss the [English] Industrial Development Advisory Board (IDAB). I sat in as an observer at the November 2001 meeting of IDAB, and discussed with National Assembly officials their experience of observing the November meeting of SIDAB (which was held on the very same day).
- 7.3 It is a very positive feature that those concerned with WIDAB had initiated contact with those outside Wales undertaking roles similar to WIDAB as what appeared to me to be a normal part of their efforts to seek continuous improvement in WIDAB arrangements. This led to a visit by officials in Spring 2001 to Glasgow to meet their SIDAB equivalents, followed by taking up an invitation in November 2001 to attend a formal SIDAB meeting.

### **Issues for Consideration from Scottish and English practice and experiences with their Advisory Boards**

- 7.4 I perceived (an inevitable) tension, in all 3 countries in Great Britain, between on the one hand, the concern for the proper use of public money; and on the other, the desire to provide an excellent service to RSA applicants, particularly where their applications relate to inward investments which can easily choose to locate elsewhere in the world.

#### **Scotland**

- 7.5 A factual summary of how SIDAB operates is at Annex 3. In Scotland, Scottish Executive officials present cases for RSA for indigenous industry, but officials of Scottish Development International present cases for RSA related to inward investments. The 3 Scottish Development International officials who do this are all Scottish Executive officials with experience of working on (indigenous Scottish/UK) RSA cases within the Scottish Executive, but are now working within Scottish Development International which is a joint venture of the Scottish Executive and Scottish Enterprise (the WDA's Scottish equivalent).

- 7.6 This means that the officers who present inward investment cases to SIDAB are to a considerable degree the overlapping portion of two “teams” – ie first, they are RSA case officers, working alongside the Case officers in the Scottish Executive; and second, because of their current location within Scottish Development International they form a team with the Inward Investment case officers of Scottish Enterprise.
- 7.7 The relationship between the WDA and the National Assembly on inward investment RSA cases put to WIDAB is discussed at paragraphs 6.8 and 8.5, which indicate that there are reasons not to replicate the Scottish arrangements in Wales. However, the attractions of the Scottish arrangements reinforce the need in Wales to ensure that good communication about WIDAB cases between the WDA and National Assembly officials continues and develops.
- 7.8 Scottish Ministers have delegated responsibility for decisions on **all** SIDAB RSA cases to their officials.

### **English Regions**

- 7.9 In England, RSA case applications up to £2million are appraised by the Government Offices for the Regions. DTI Ministers decide on cases above £1million. The seven non-statutory RIDBs in England advise the Government Offices and Ministers on applications between £250,000 and £2million (except for the East of England where the range is £100,000 to £2million). The RIDBs’ advice is submitted to DTI Ministers on RSA grant applications above £1million, with grants below £1million being approved by Government Office Regional directors.
- 7.10 On 1 April 2002, responsibility for RSA cases up to £2million will transfer from the Government Offices to the Regional Development Agencies (RDAs). The RIDBs will advise the RDAs on RSA cases , and appointments to these boards will continue to be made by DTI Ministers.

### **England – Big Cases**

- 7.11 Applications for RSA in England for over £2 million are appraised by the Industrial Development Unit in the DTI. They are then considered by IDAB, whose process is broadly similar to WIDAB, especially in that decision making is **not** delegated to officials. After IDAB meetings DTI officials send IDAB’s advice to their Secretary of State who makes the formal decision.

### **Other Points relating to Wales/Scotland/England Comparisons**

- 7.12 In terms of the **geographical** (as opposed to industry sectoral) spread of cases it could potentially see, WIDAB has a potentially broader experience base than Scottish or English equivalents. Annex 4 is a map of the current areas with Great Britain for which RSA applications will be considered. While significant parts of Wales (eg most of Powys) are not areas where RSA assistance is available, most of the population of Wales is either within an RSA area or is within a reasonably commutable distance of an area where RSA is available.

- 7.13 The map suggests that the majority of the land area and population of England is **not** within an area eligible for RSA. In Scotland, while the proportion of that country where RSA is available is greater than in England, it is still less (in proportional terms) than in Wales. In addition, SIDAB does not normally consider cases falling within the Highlands and Islands area, as support for both indigenous and inward investment cases there is provided by Highlands and Islands Enterprise.
- 7.14 WIDAB, as a result the experience it gains from considering the casework which potentially passes before it from large parts of Wales, therefore has the potential to be one source of advice at the all Wales level on job creation and safeguarding. Paragraph 8.6 considers this issue further.

## 8. EVALUATION

- 8.1 WIDAB's "outputs" are its quality assurance and recommendations – but equally importantly, WIDAB plays an integral part in the RSA decision making process. Since WIDAB always makes reasoned recommendations to Ministers, I conclude that the Board is discharging its basic statutory function. If WIDAB's existence were to make a significant difference to only 1 or 2 decisions each year, it would represent a worthwhile exercise.

### **Contribution of WIDAB to "Team Wales" and to furthering the key policies and themes of the National Assembly**

- 8.2 WIDAB is in a good position to exert considerable influence in the operation of one of the Assembly's key economic policy tools – ie RSA, and from this base to make some input into wider debate on the implementation of Assembly economic policies. WIDAB, as part of the RSA system which focuses on more disadvantaged areas, also contributes to the social inclusion agenda – advice put to members includes material on the area concerned, its unemployment rate etc.
- 8.3 Below, I consider a number of ways in which WIDAB may be better enabled to do to support the National Assembly's wider agendas, including:
- clarification of the mission of WIDAB as part of "Team Wales"
  - wider role for WIDAB?
  - References to WIDAB in RSA literature prepared for potential applicants
  - Considering where the limit requiring submission of an application to WIDAB is set
  - increasing the number of women and members of ethnic minorities in WIDAB.

### **Clarification of the mission of WIDAB as a part of "Team Wales"**

- 8.4 WIDAB currently has no "mission statement". The "Guide for Members" describes in a fair amount of detail the legislation under which WIDAB exists, and particularly **how** it works. But there is no pithy statement of what the Assembly wants WIDAB to contribute, through its work on RSA cases, to achieving the outcomes desired by the Assembly for the economy and people of Wales. Overall, these desired outcomes are described in The Plan for Wales and the National Economic Development Strategy, which are informed by the 3 key themes of the Assembly. WIDAB has received these documents in draft for its consideration, but **I recommend that WIDAB, supported by its officials and in consultation with main stakeholders (eg WDA) should produce a draft mission statement for its activities for the consideration, and if content approval, of the Economic Development Minister.**

## **Wider Role for WIDAB?**

- 8.5 Given the experience WIDAB members both bring to, and gain from, their role in considering individual RSA applications, there is potential for a wider role for WIDAB provided the pressures on Members are not significantly increased. **I recommend that hand in hand with developing a mission statement, WIDAB and EDD should consider regularly where WIDAB's advice might be a useful input to activities within its statutory remit of its functions under section 7 of the Industrial development Act 1982 but beyond the consideration of individual cases.**

## **References to WIDAB in RSA literature**

- 8.6 Some of the literature of the Economic Development Department sends to potential applicants may make too much of WIDAB's existence. A note issued to potential applicants for more than £250,000 describing what happens after an application is submitted describes how the Assembly aims to process RSA applications for more than £250,000 within 40 working days of receipt, adding "we need this time because cases of this size need to be considered by the Welsh Industrial Development Advisory Board (WIDAB) which advises [Ministers]". I am not clear why WIDAB needs to be mentioned at all here – which is not to say that its existence as part of the process would not often crop up in conversations with applicants or their advisers. I gained the impression that the time taken to make RSA decisions on cases which went to WIDAB was not regarded as leading to applications suffering "fatal" delay – indeed I believe RSA case officers and others concerned with advisory WIDAB would "pull out the stops" to ensure urgent cases got to WIDAB quickly, and occasionally WIDAB would call an extra meeting to deal with one or more urgent applications. **I recommend that EDD review all RSA literature which refers to WIDAB to see whether any reference to WIDAB is necessary, and if it is whether it needs redrafting to remove fuelling any unintended and unjustified inferences that it is a "problem" for the applicant if their RSA application is to be considered by WIDAB.**

## **Where should the limit be set for WIDAB cases?**

- 8.7 The 1990 and 1995 Reviews both considered whether the limit was right, and this review will consider the general issue too. In the last decade the limit has been raised only twice – on both occasions following specific recommendations in the 2 review reports. I believe that the Assembly Government should take the initiative in reviewing the appropriateness of the limit regularly – and not wait for quinquennial reviews to consider the issue. Circumstances could change more often than five yearly – say if there was a major change to the RSA scheme, or to the Welsh economy, which affected the number of applications above, and below, the limit. **I recommend that EDD puts a note to WIDAB once a year indicating whether it thinks the limit remains appropriate and (having taken WIDAB's views) advises Ministers if they think there is a case for change.**

## Frequency of Meetings

- 8.8 WIDAB meets monthly. There was general agreement that this was right. It allows a reasonable number of cases to be dealt with and does not unduly delay consideration of applications. There was no support for dealing with applications by correspondence. However, although attendance was generally good not all members are able to attend every meeting.

## Equality Issues

- 8.9 Currently only one member of WIDAB (the Chair) is female and none is from an ethnic minority background. WIDAB's comparator bodies elsewhere in the UK have a similarly small representation of women in their membership, although both SIDAB and IDAB have members from ethnic minorities.
- 8.10 There appear to be some difficulties in identifying women in significant numbers with appropriate experience (for example, recent press reports suggests that the proportion of top management of the UK's largest companies who are women has recently declined). However, **I recommend that EDD considers how to use the regular turnover of members , and therefore the opportunity for some new appointments, to increase the number of female members of WIDAB over the next 5 years, and to appoint at least one member of an ethnic minority onto the Board.**

## **9. SUMMARY OF RECOMMENDATIONS**

- 9.1 This Review makes the following recommendations:
- 9.1.1 I recommend that WIDAB continues to exist. (para 6.6)
  - 9.1.2 I recommend that WIDAB, supported by its officials and in consultation with main stakeholders (eg WDA) should produce a draft mission statement for its activities for the consideration, and if content approval, of the Economic Development Minister. (para 8.4)
  - 9.1.3 I recommend that hand in hand with developing a mission statement, WIDAB and EDD should consider regularly where WIDAB's advice might be a useful input to activities within its statutory remit but beyond the consideration of individual cases. (para 8.5)
  - 9.1.4 I recommend that EDD review all RSA literature which refers to WIDAB to see whether any reference to WIDAB is necessary, and if it is whether it needs redrafting to remove fuelling any unintended and unjustified inferences that it is a "problem" for the applicant if their RSA application is to be considered by WIDAB. (para 8.6)
  - 9.1.5 I recommend that EDD puts a note to WIDAB once a year indicating whether it thinks the limit remains appropriate and (having taken WIDAB's views) advises Ministers if they think there is a case for change. (para 8.7)
  - 9.1.6 I recommend that EDD considers how to use the regular turnover of members, and therefore the opportunity for some new appointments, to increase the number of female members of WIDAB over the next 5 years, and to appoint at least one member of an ethnic minority onto the Board. (para 8.10)

## **10. ACTION PLAN**

- 10.1 Recommendation 1 (para 6.6) – ie relating to the future existence of WIDAB , is a matter for Ministers to decide.
- 10.2 If Recommendation 1 is accepted , most of the recommendations of this review, if they are accepted, can start to be implemented at an early date by regular consideration by WIDAB itself, the Assembly and/or officials who support and relate to WIDAB.

## **11. ANNEXES**

1. Typical structure of a case paper prepared for WIDAB.
2. Extract from the September 2000 Interim Report of the Quinquennial Review on the Welsh Development Agency.
3. Scotland – How SIDAB operates.
4. Map of Areas in Great Britain eligible for RSA grants.

## Typical Structure of A Case Paper Prepared for WIDAB

### 1. Summary Details (One Side A4)

Date of Application

Applicant's name and address

Amount of RSA applied for

Amount recommended by officials

Nature of Principal Business

Project Location (and whether tier 1 or 2)

Project Details (eg to relocate, expand, support ongoing business etc)

Basis for additionality (eg project's international mobility , risk etc)

Project Costs (split into fixed assets and working capital)

Project Finance (eg internal resources, overdraft, bank loan, invoice factoring, supplier's extended credit, bridging finance etc)

Employment - prior to project  
 - by end of year 1  
 - by following year

Additional Employment (may be nil if all for safeguarded jobs)

Safeguarded Employment (may be nil if all additional jobs)

Unemployment in Travel to Work Area (Male, Female, Total, - numbers plus percentages)

Net Cost Equivalent of RSA (of requested and recommended amounts)

Cost per Job of RSA (£ requested and recommended).

### 2. PROJECT COMMENTARY

### 3. APPLICATION ANALYSIS

#### a. Viability

- technical and commercial assessment
- comments of DTI Marketing Division on market for applicant's products or services.
- management and labour – information about the management team, needs to change/strengthen it, range and average of salaries of jobs to be created/safeguarded.
- financial assessment, including information on recent trading record of applicant, ownership structure, funding structure.

**b. Additionality**

- description of evidence and information provided by the applicant to support the case that without RSA, the investment would not happen in Wales (or at all).
- comments of NAW officials on this, including reference to any negotiation downwards from the original amount sought.

**c. Efficiency**

- the project's benefit to the **British** economy, may include the net present value of the overall project and the internal rate of netcon of the investment. For projects over £2 million NAW economists prepare a more rigorous appraisal of the project's economic efficiency.

**d. Grant ceilings**

- indication of whether the net grant equivalent is within the EU limits for the tier of area concerned, and cost per job.

**4. APPLICATION EVALUATION**

Overall comments from officials on the application. References to any earlier applications for RSA, and consequences of rejecting the application.

**5. RECOMMENDATION**

Overall grant recommended, with details of the staging of paying proposed, and other non-standard conditions (if any) to be required. There may be a comment on officials' view of the riskiness of the project.

**6. OTHER ATTACHMENTS**

- Top management team's CVs
- copy of application form
- Report by the Assembly's accountancy staff (qualified accountant)
- Technical and Commercial Report by the Assembly staff (an officer with extensive commercial experience)
- [if over £2m – Economic Efficiency Report].

**EXTRACT FROM THE REVIEW OF THE WDA – INTERIM REPORT,  
SEPTEMBER 2000**

- “7.55 Although this review is not intended to have RSA as its prime focus, it could also be argued in principle that responsibility for delivering RSA could be passed to the Agency. However, there are fundamental obstacles here. First, the administration of the RSA scheme is a significant undertaking in its own right. It may be questioned whether it would be right to increase still further the range of activities performed by the WDA, particularly in view of the need for the agency to retain a sharp focus, and exploit its core skills. Second, the judgement that must be made in offering an RSA grant is that of determining the minimum sum necessary to secure the project. It can be tactically advantageous for a second organisation to be seen to be making this judgement. And the notion of the “minimum necessary” would not sit naturally in an organisational culture geared up to do the maximum to secure the success of a project. Finally, as the RSA scheme is demand led, financial management may be facilitated by the retention of the scheme within the Assembly's area of direct budgetary control.
- 7.56 In summary, it is recommended that, in general, Assembly-provided business support services should transfer to the WDA. This recommendation is, however, subject to a more detailed review of the individual services concerned, and any further relevant factors identified during the second stage of the review. Responsibility for administering RSA should remain with the Assembly. ”

## **ANNEX 3**

### **SCOTLAND – HOW SIDAB OPERATES**

1. SIDAB normally has 12 members including the Chair. Currently there is one vacancy, one female member and one member of an ethnic minority.
2. SIDAB meets 12 times a year with the odd (typically once a year) additional ad hoc meeting (usually when an important case needs to be dealt with urgently).
3. Preparation for SIDAB meetings includes a meeting where the Chair, the Industrial Director, Head of Investment Assistance Division, Secretary of SIDAB and the Senior Scottish Development International Appraisal Officer discuss the cases (using papers which have already gone to members). This meeting, particularly the Chair's input, helps improve and focus discussion at the formal SIDAB meeting.
4. Meetings of SIDAB are generally shorter than WIDAB's. They start at 2.00 for 2.15pm and finish at about 3.30pm. Typically 5 or 6 cases are considered at each meeting – sometimes fewer.
5. SIDAB rarely rejects outright an application a case recommended by officials. It may occasionally wish to defer a decision or, in different circumstances, it may propose additional conditions and (from time to time) it may recommend an offer of RSA in excess of the one proposed by officials.
6. Scottish Ministers very rarely play a part in decisions on individual cases.

# Areas of assistance in Great Britain

