

Finance Committee

Meeting Venue:
Committee Room 2 – Senedd

Meeting date:
12 June 2013

Meeting time:
09:00

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



For further information please contact:

Gareth Price
Committee Clerk
029 2089 8409
FinanceCommittee@wales.gov.uk

Agenda

1 Introductions, apologies and substitutions

2 Inquiry into Enterprise Zones in Wales – Panel of businesses

(09:00 – 10:00) (Pages 1 – 3)

FIN(4)–10–13 Paper 1 eCube Solutions
Mike Corne - Partner & Commercial Director

FIN(4)–10–13 Paper 2 Mustang Marine
Lucas Boissevain - Finance Director

3 Financial implications of the Further and Higher Education Bill – Evidence from the Minister for Education and Skills (10:00 – 11:00)

(Pages 4 – 16)

FIN(4)–10–13 Paper 3

Leighton Andrews AM, Minister for Education and Skills
Carla Lyne, Deputy Director of Finance and Corporate Services

4 Inquiry into Enterprise Zones in Wales – Chairs of the Enterprise Zone Boards (11:00 – 12:00) (Pages 17 – 50)

FIN(4)–10–13 Paper 4

Nick Bourne, Chair of the Haven Waterway Enterprise Zone

FIN(4)–10–13 Paper 5

Gareth Jenkins, Chair of the Ebbw Vale Enterprise Zone

FIN(4)-10-13 Paper 6 Cardiff Central Enterprise Zone

FIN(4)-10-13 Paper 7 Snowdonia Enterprise Zone

FIN(4)-10-13 Paper 8 Deeside Enterprise Zone

FIN(4)-10-13 Paper 9 St Athan/Cardiff Airport Enterprise Zone

FIN(4)-10-13 Paper 10 Anglesey Enterprise Zone

5 Papers to note (12:00) (Pages 51 – 53)

Minutes of the meeting held on 8 May

6 Motion under the Standing Order 17.42 to resolve to exclude the public from the meeting for the following business: Item 7 (12:00)

Private session

7 Consideration of Assembly Commission key performance indicators (12:00 – 12:10) (Pages 54 – 59)

FIN(4)-10-13 Paper 11

eCube Solutions – Enterprise Zone evidence

Brief history of the business

eCube Solutions was formed in November 2011, and became operational at St. Athan airfield on 1 April 2012. It is an aerospace business, particularly addressing the fast growing 'end-of-life' management sector, with core activities to store, re-use and recycle commercial aircraft and their components. The services are provided to an array of international clients; typically investment funds and aircraft leasing companies. The business is based in one of the original hangars at St. Athan which had been unoccupied for 8 years and had fallen into a state of dis-repair, but has proven to be an excellent base from which to operate a business of this nature. The start-up phase has been successful with the first year financial performance exceeding budget, and a very strong projection for the second fiscal year.

Support and incentives

eCube became operational prior to the formal creation of the Enterprise Zone, although we were made aware of the prospect at the time that we entered a dialogue with the Welsh Government over a potential tenancy at St. Athan. Since the business was initially unable to avail of the EZ benefits, we were guided to apply for Welsh Economic Growth Funding support, which provided grants against capital expenditure based upon employment created during 2012. eCube received £82,500 from that fund. It has also subsequently received rate abatement of £20,000 per year, based upon the EZ scheme. While we have limited exposure to the detailed benefits of the Enterprise Zone, we typically are guided to identify relevant opportunities for business support by the on-site Welsh Government team, who understand our growth needs and match them to appropriate government schemes.

Outputs

On average, eCube Solutions has employed 15 staff since start-up 14 months ago. Of these, 9 are permanent employees. We are currently bidding for a strategic contract which, if successful, would double the staffing levels by early 2014.

Improvement potential

Due to the limited direct association with the Enterprise Zone, it is difficult for us to provide constructive inputs on improvement opportunities. However, there is no doubt that the location would be very attractive to both us and our customers if it was a free trade zone, in which goods may be imported, processed, and re-exported without the intervention of the customs authorities. It would also be of substantial benefit if the operation of the airfield was transitioned from the MoD to a commercial service provider, who would be more in tune with the needs of commercial businesses.

**Written evidence for submission to -
National Assembly for Wales - Finance Committee sitting on Wednesday
June 12th 2013**

Written evidence to be submitted by Tuesday 4th June 2013

The points below are a guide and businesses can add other points where they feel that they have something to add.

Please note, all written evidence submitted to the committee may be made available in the public domain.

Written evidence submitted by –

Name: Lucas Boissevain

Company Name: Mustang Marine (Wales) Ltd

Date: 04/06/13

Brief history of the business - if originally located at the Enterprise Zone or re-located to the Enterprise Zone.

Please enter your evidence below -

Mustang Marine (Wales) Ltd traded in Fishguard as a partnership from 1984 to 1997 relocated to Pembroke Dock in 1997 and the business became incorporated as a company in 1997 as a private limited company.

The trade carried on by the business has been the design, construction and repair of commercial work vessels up to 25metres. New build vessels are constructed for both domestic and overseas markets.

The business has grown from 12 persons and £600K turnover in 1997 to 122 persons and a projected £10,000K turnover to 31/8/2013.

Support and incentives the business is receiving at the Enterprise Zone.

Please enter your evidence below -

We are currently receiving EZBR on the commercial rates for our sites on the South side of the Milford Haven Waterway.

We are also receiving Work Force Development Assistance and assistance via React and the Young Recruits programme.

We are also looking at other initiatives together with Jayne Stephens our relationship manager.

Outputs – those witnessed and anticipated e.g. job creation.

Please enter your evidence below -

The expansion of the business has continued apace with the new projects coming on stream and the new facilities. Labour numbers have increased from our low point of 86 FTE in January 2013 to 121 FTE in June 2013. The new jobs created have been craft £24,481PA or advanced craft status £28,100PA.

Any suggestions the business may have on how Enterprise Zones could improve.

Please enter your evidence below -

Communications – Road network improvements, Port infrastructure deep-water quay space, port working practices, Broadband infrastructure – business broadband.

Skills training – specialist skills training in niche areas.



Agenda Item 3

Evidence Paper

Doc 2

Finance Committee

Date: 12 June 2013

Time: 10.00 – 11.00am

Venue: Senedd

Title: Further and Higher Education (Governance and Information) Bill 2013

Purpose

1. To provide an evidence paper for the Finance Committee on the implications of the Further and Higher Education (Governance and Information) Bill, including accountancy rules, the ONS classification process, Welsh Government budgets and financial issues arising.

Accountancy rules

2. The UK National Accounts are produced under internationally agreed guidance and rules set out principally in the European System of Accounts 1995 (ESA 95), and the accompanying Manual on Government Deficit and Debt (MGDD).
3. These rules apply to all countries in the European Union, and the UK is legally required to produce the National Accounts on an ESA '95 basis.
4. In the UK the Office for National Statistics (ONS) is responsible for the application and interpretation of these rules.
5. The UK Government has chosen to base its departmental budgeting rules and fiscal statistics on National Accounts principles. As a consequence, ONS decisions on how organisations are treated in the National Accounts for budgeting purposes also inform the public sector boundary used in the production of Whole of Government Accounts (WGA).
6. Classification decisions also feed into a wide range of ONS economic statistics - the National Accounts themselves, public sector employment, etc.
7. If an organisation is classified as being part of the National Accounts then all of its transactions are included in the relevant Government department budgets.

ONS Classification

8. Under ESA 95, all institutional units operating within an economy are classified by ONS to one of six sectors. The sectors are:
 - General Government
 - Non-Financial Corporations
 - Financial Corporations
 - Households
 - Non-Profit Institutions Serving Households (NPISH); and
 - Rest of the World
9. The "Public Sector" includes all units within General Government, as well as bodies classified as public non-financial corporations (for example, Royal Mail plc) or public financial corporations

(such as the Bank of England or the Royal Bank of Scotland). NPISH, which is often known as the third sector, is included in the private sector.

10. Classification decisions for National Accounts purposes are taken by the National Accounts Classification Committee within ONS.
11. Further Education Institutions when established in 1993 were classified as Non – Profit Institutions Serving Households (NPISH). The ONS reclassified them in 2010 (dating back to incorporation) as General Government and therefore within the public sector.
12. The ONS, in determining the classification of bodies for the purposes of national accounts looks at various indicators of control, and the decision by the ONS to reclassify FEIs in Wales was the result of various statutory controls that Welsh Ministers exercise over FEIs in Wales. The indicators for any type of organisations are :
 - Ability to determine aspects of how the body delivers its outputs
 - Ability to have a final say in sale/ acquisition of fixed assets
 - Be entitled to a share of proceeds of asset disposals that goes beyond the repayment of previous government support for capital formation
 - Ability to close the body
 - Ability to prevent the body from ending its relationship with the public sector
 - Ability to veto any takeover
 - Ability to change the constitution of the body, or veto changes to it
 - Ability to decide what sort of financial transactions the body can undertake, or limit them
 - Ability to prevent the body from receiving certain types of income from other resources
 - Ability to exert numerous minor controls over how the body is run
 - Ability to exert financial control (NB. this is different from funding) as part of a general system of controlling public expenditure
 - Ability to control dividend policy
 - Ability to set pay rates
 - Ability to (for non regulatory reasons) approve acquisitions

Background on Further Education Institutions in Wales

13. There are currently 18 further education institutions in Wales (excluding Merthyr Tydfil College which is part of the University of South Wales) with a total income in 2011/12 of £467m. Of this, the recurrent grant from the Welsh Government was £293m and other Welsh Government grants and contracts were £75m.
14. There are a number of mergers planned for completion over the next few months, which while reducing the number of institutions will not diminish the overall size of the sector.

Impact on Welsh Government budgets if the ONS classification is reversed

15. If the ONS classification is reversed and Further Education Institutions in Wales are returned to the NPISH category for National Accounts purposes then there will be no additional impact on Welsh Government budgets. The Welsh Government will continue to account for revenue grant funding given to FEIs from near cash budgets and capital grants from capital budgets, as they do now.

Impact on Further Education Institutions if the ONS classification is reversed

16. There will be no additional impact on colleges from a financial perspective if the classification is reversed.
17. There will be a change to some of the conditions of the financial memorandum; the approvals that need to be sought from Welsh Government for borrowing and sale of assets will be removed.
18. FEIs will still have to show to lenders that they can afford repayments of any loans. They will also still need the approval of the Governing Body for loans or for the sale of assets and the use of those funds.
19. The level of monitoring of financial health of FEIs by DfES will not change. The forecasts and returns that FEIs provide include analysis of loans that are planned and any sale of assets. Guidance is also currently given on the level of gearing that is acceptable for the sector. This guidance will continue.

Impact on Welsh Government budgets if the ONS classification is not reversed

20. If the ONS classification is not reversed, all income and expenditure in FEIs in Wales will have to be accounted for from within Welsh Government budgets, rather than just Welsh Government funding given to the sector. This will impact all categories of budgets.

Capital budgets

21. The total capital spend by a FEI in any year would count against DfES' capital budget, not just the capital grant that we give them as is currently the case. This includes any cash reserves that they spend on an asset or any loans that they take out to fund an asset.
22. It is unlikely that the WG could negotiate with Treasury an uplift to the capital budget in the long term due to the current Treasury attitude to public sector borrowing and pressures on budgets.
23. Any repayments of borrowing in a year or any grant income from other organisations would be counted as income and net off this figure. Grants from elsewhere are minimal and loan repayments in any year are small compared to the loans taken out as they are spread over 15 - 25 years.
24. In effect the budgeting treatment is the same as DfES giving a 100% grant, which at present is usually 50%. This means that the capital budget available to schools and FEIs would be reduced.
25. The table below shows the loans and use of cash reserves in the sector over the last five years.

Year	11/12	10/11	09/10	08/09	07/08
	£'000	£'000	£'000	£'000	£'000
Loan	6,680	3,671	3,484	1,504	3,335
Cash reserves	21,836	15,868	13,783	12,665	16,747
Total impact on DfES capital budget	28,516	19,539	17,277	14,169	20,082

26. On average there would be a reduction of £20m available from the DfES capital budget, which is between 10-13%.

Non cash budgets

27. Any depreciation of assets of FE sector assets would count against Welsh Government non cash budgets; this is circa £22m per year. This extra requirement would need to be met from within the DfES budget in the first instance, before looking at the wider WG budget. The WG could apply to Treasury for an increase in the non cash budget, however there is no guarantee that this would be given.

Annually managed expenditure budgets

28. Any movement in the Local Government Pension Scheme (LGPS, for non teaching staff) deficits year on year would count against Annually Managed Expenditure Budgets. Movements in pension scheme deficits are extremely difficult to forecast as they are calculated by actuaries at the end of each year, based on assumptions including life expectancy, inflation and market conditions. The charge for 2011/12 was £3.6m, but for 2009/10 £8.0m.
29. Again this would need to be met from within the DfES budget in the first instance, before looking at the wider WG budget. The WG could apply to Treasury for an increase in the annually managed expenditure budget, with no guarantee that this would be given.
30. The Teachers Pension Scheme (TPS) assets and liabilities are not separately identifiable by institutions therefore the deficit within this scheme cannot be accounted for in the same way as the LGPS.

Near cash budgets

31. On average, 21% of FEI income comes from sources other than the Welsh Government, including for example, student fees, ESF and commercial enterprises such as nurseries and training restaurants.
32. When taken into the Welsh Government budgets, this FEI income would be included as Welsh Government income. Conversely, the total expenditure of an institution would also need to be included. Any of this income and expenditure not covered in other budget lines noted above would fall to near cash.
33. The FEI results would need to be managed within the DfES budgets.
34. This means:
 - a. Any surpluses generated by FEIs would lead to under spends in the DfES budget and would need to be managed within the overall position;
 - b. Any deficits generated by FEIs would lead to over spends in the DfES budget;
 - c. It would be difficult for FEIs to retain any surpluses to build reserves to fund future large revenue or capital projects as this would cause significant swings in expenditure to be managed against DfES budgets year on year. DfES cannot carry forward any surpluses to match an increase in expenditure in any one year.
35. The sector has made surpluses/deficits in the last five years that would count against DfES near cash, non cash, annually managed expenditure or capital budgets as follows:

Year	11/12	10/11	09/10	08/09	07/08
	£'000	£'000	£'000	£'000	£'000
Surplus / (Deficit)	5,128	9,576	8,992	(1,090)	1,602

36. Given the budget cuts received so far from the UK Government, together with further cuts expected from the spending review on the 26 June it is expected that these surpluses will reduce significantly in the future.

DRC budgets

37. There would be additional impacts for the Welsh Government in terms of assessing the budgetary impacts in-year, reviewing consolidation packs (see paragraph 43 below) that would be submitted by FEIs and completing the actual consolidation.. This would need an increase in staff time in the DfES and central finance teams.

Impact on Further Education Institutions if the ONS classification is not reversed

38. The FE sector would lose on average £20m of capital funding a year as the full cost of capital spend would be counted against DfES budget rather than the 50% grant contribution to projects

that is currently made. As noted in paragraph 22 above an increase in the budget is very unlikely.

39. This would significantly impact the facilities available for learners, for example current projects and the total estimated costs include :
 - Cardiff and Vale College - New FE Cardiff City Centre Campus, £40m
 - Coleg Ceredigion - Transformation technology centre, £3.3m
 - Coleg Llandrillo - University centre at Rhos on Sea, £4.9m
 - Coleg Llandrillo - Dolgellau Skills centre phase 1 & 2, £4.5m
 - Yale and Deeside College - rebuild of Block B Bersham Road, £12m
40. Currently the sector benefits from its own good financial management, it can build up surpluses via reserves to fund investment projects for provision and estates which subsequently enhances the learner experience and quality of provision.
41. The sector on average has 79% of funding from the Welsh Government, including the work based learning contracts. They generate the other 21% from other sources as a way of increasing income diversity and widening the student experience. For example attracting international students, providing training provision for businesses, running commercial training enterprises in areas such as hairdressing or travel. This also enables the sector to supplement surpluses from good financial management of Welsh Government funding and increase the amount available to reinvest into learning provision.
42. If colleges are not able to use the surpluses they build up the incentive to diversify income streams and continually improve financial management will be gone. Any surpluses made would have to be spent in the year that they were made, which may mean that the funds are not put to best use or used in the most efficient way.
43. If FEIs are classified as General Government FEIs would need to complete a consolidation pack, known as a 'C-pack' to be submitted to the Welsh Government. A comprehensive form that captures the financial information of an organisation for the year to 31 March and enables any transactions between bodies in the consolidation to be identified and eliminated.
44. The year end for the sector is the 31 July, this may need to be changed to the 31 March. If it was not there would be a significant amount of work for FEIs to complete the C-pack.
45. The C-pack would need to be prepared under International Financial Reporting Standards (IFRS) until 2015/16, whilst the annual accounts would be prepared under UK Generally Accepted Accounting Principles (accounting standards), as the Further and Higher Education Statement of Recommended Practice (SORP) Board has stated that early adoption of IFRS is not an option as the new revised SORP, based on IFRS does not come into force until 2015/16.
46. The C-pack would need to be audited which would carry an additional cost.
47. It is estimated that the minimum completion and audit of the C-pack would cost the sector about £53k per year. If the year end date was not changed this could be significantly more.



Ann Jones AM
Chair of Children and Young People Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

18 June 2013

Dear Ann,

As you know, Finance Committee took evidence from Education and Skills Minister Leighton Andrews at our meeting on June 12, where we considered some of the financial issues around the Further and Higher Education (Governance and Information) (Wales) Bill.

While we were satisfied that legislation is required to return the sector to its original ONS classification, we still have concerns about the Minister's intentions in relation to non-legislative controls over the sector. The Minister said, 'We may need to look at the financial memorandum and conditions of funding' and agreed to provide a note to Finance Committee, he said 'The key element will be around borrowing.'

Finance Committee recommends that the Minister and ONS ensure they agree a definition of 'non-regulatory controls' to ensure that this proposed legislation achieves its intended purpose.

Bae Caerdydd
Caerdydd
CF99 1NA
Cardiff Bay
Cardiff
CF99 1NA

Ffon/Tel: 029 2089 8164

Ebost/Email: gareth.price@wales.gov.uk

Thank you for inviting me to attend the session of Children & Young People Committee as you conclude your deliberations on the bill.

Yours Sincerely

A handwritten signature in cursive script that reads "Jocelyn Davies".

Jocelyn Davies AC
Jocelyn Davies AM



Eich cyf/Your ref
Ein cyf/Our ref
Jocelyn Davies AM
Committee Chair
Finance Committee
Cardiff Bay
Cardiff
CF99 1NA

25 June 2013

Dear Jocelyn,

FINANCE COMMITTEE - STAGE 1 SCRUTINY OF THE FURTHER AND HIGHER EDUCATION (GOVERNANCE AND INFORMATION) (WALES) BILL

Following my attendance at the Committee meeting on 12 June 2013 for the scrutiny of the Further and Higher Education (Governance and Information (Wales) Bill, I agreed to provide Members with the following information:

- A note on the changes that the Minister may make to the conditions of funding to FEIs;
- A note on the changes that the Minister may make to the Financial Memorandum; and
- Percentage of funding for FEIs that comes from the Welsh Government.

This is attached at Annex A and I trust that Members will find the clarification helpful.

I would also like to confirm that I am content with the draft of the transcript, as amended, of the Finance Committee meeting on 12 June 2013.

A handwritten signature in black ink that reads "Leighton Andrews".

Restricted Legislation

Finance Committee 12 June - Action points for the Minister for Education and Skills

Background

1. At the Finance Committee meeting on 12 June, the Minister for Education and Skills agreed to provide the following information:
 - A note on the changes that the Minister may make to the conditions of funding to FEIs;
 - A note on the changes that the Minister may make to the Financial Memorandum; and
 - Percentage of funding for FEIs that comes from the Welsh Government.

Conditions of Funding

2. The conditions of funding which are issued annually are in addition to the terms and conditions set out in the Financial Memorandum between the Welsh Government, Further Education Institutions and Higher Education Institutions providing further education in Wales.
3. The funding allocated by the Welsh Ministers must be expended primarily on the provision of further education in the locality served by the institution. The provision must be consistent with:
 - the Minister's further education planning priorities;
 - the Welsh Government's FE institutional planning guidance; and
 - the institution's strategic and operational plans.
4. This will not change. The conditions of funding will be reviewed to ensure that they reflect the financial memorandum.

Financial Memorandum

5. The Financial Memorandum will be amended to reflect the Further and Higher Education (Governance and Information) (Wales) Bill. It is proposed that the consent requirements detailed in Annex A of the Financial Memorandum will be removed:
 - Any proposal whereby the total of all unsecured borrowing or financial commitments including non cancellable leases, will exceed 5 per cent of the institution's Annual Revenue, or if it wishes to enter into any secured borrowing or financial commitments.
 - To waive the requirements that an annual budget that would result in an operating deficit or a net cash outflow from operating activities can only be approved by the Governing Body if:

Restricted Legislation

- a. the operating deficit or net cash outflow from operating activities is not part of planned investments or strategic decisions set out in the financial strategy and institutional plan or is not fully funded from existing cash reserves; or
 - b. where the forecast level of cash reserves and balances at the end of the Accounting Period in question falls below the level identified in the institution's financial strategy as required to maintain its solvency or represents less than one month's expenditure
- Applications for consent will be in the form of a letter to the Head of Division, Standards Quality and Governance¹ as soon as the deficit budget is known.
 - Transactions affecting the ownership of land or property funded by the Assembly Government or its Predecessor Funding Bodies².
 - Transactions, including but not limited to rebuilding or extending, that alters the use of the land or property by more than 250m².
 - Consent to waive paragraph 45 to allow the retention and investment of the sale proceeds following the disposal of land or buildings or the retention of rent or other consideration³.
 - Consent to leasing any land or property.
6. FEIs will still be subject to financial monitoring and internal and external audit requirements. Financial health monitoring gives each institution a financial health category from A to D with A being the strongest based on key financial ratios and solvency.

Percentage of Welsh Government funding for FEIs

7. On average, the sector receives 79% of its funding from the Welsh Government, through core grant, workbased learning contracts and other specific grants.

¹ Now the Deputy Director, Corporate Services Division

² Upon dissolution, any transfer of property, rights or liabilities can only be made to persons or bodies which are prescribed by the Welsh Ministers and if the transfer is to a body which is not a charity the property can only be transferred on trust to be used for charitable purposes which are exclusively educational.

³ Paragraph 45 - The institution shall inform the Assembly Government of proposed transactions if grant (or any part of it) from the Assembly Government or its Predecessor Funding Bodies has been used by the institution (or any predecessor institution) to acquire an interest in or to develop any land or buildings, to pay rent or to repay debts or to pay interest on any outstanding debt in respect of any land or buildings

The Haven Waterway Enterprise Zone Board

3 June 2013

Clerk of the Finance Committee
FinanceCommittee@wales.gov.uk

Dear Clerk

Invitation to provide evidence – Enterprise Zones

Further to the invitation to provide written evidence to the Finance Committee.

Based on the suggested points, I outlined below the progress which has been made in the Haven Waterway Enterprise Zone.

What is the scale of Welsh Government resource being targeted at Enterprise Zones?

It should be noted that Enterprise Zone Chairs do not see internal Welsh Government budgets. However, the Welsh Government commits resource to Enterprise Zones in terms of assistance for Business Rates Relief, marketing, provision of Superfast Broadband and assistance with training. Additional capital spend will include provision for infrastructure in terms of rail and road links. Furthermore, there is a considerable commitment in terms of the time spent by officials on Enterprise Zone business.

What influence are Enterprise Zone boards having on that Welsh Government resource?

There is very good interaction between the Haven Waterway Enterprise Zone Board and the Welsh Government. I have made a representation on Zone boundaries, on marketing, on business rates and on capital spend to the minister and have frequent and regular contact with officials. I have found the Welsh Government responsive and supportive.

What are the strategic objectives of each of the Enterprise Zone boards?

The Haven Waterway Enterprise Zone is energy related. The strategic objective of the Enterprise Zone is to attract new jobs and prosperity and thereby to protect existing jobs. It is hoped that jobs created will be both direct in energy projects and indirect through the supply chain supporting such ventures. In addition we recognise that jobs may be created elsewhere for example through the cruise market. We work together with our partners in the Enterprise Zone for example Pembrokeshire County Council, Pembrokeshire Business Panel and Pembrokeshire College to accomplish these objectives. It is hoped too that Enterprise Zones can help promote growth generally in the Welsh economy.

A strategic plan was submitted to the Minister in autumn 2012. This has acted as a plan for action within the zone.

What are the specific incentives that are in place to encourage businesses to invest and locate in each Enterprise Zone in Wales?

Incentives are in place in terms of Business Rate Relief for small and medium sized companies in the zone. The Haven Waterway Enterprise Zone has been particularly successful in this regard. Other incentives include speedier planning, training packages, Superfast Broadband, marketing initiatives and a dedicated website promoting the zone. Additionally investment assistance and advice to businesses as well as investment in infrastructure will help to promote the objectives of the zone. In addition Enhanced Capital Allowances are available in relation to the Waterston site in the zone.

What are the specific outputs and outcomes that each EZ expects to achieve? (such as number of jobs created, businesses supported, number of businesses benefiting from business rates reductions, number of businesses using the Enhanced Capital Allowances)

The Enterprise Zone has already enabled 17 businesses to benefit from Business Rates Relief in the zone. Jobs are being created, 100 additional jobs have been created recently at Mustang Marine. A project team has been set-up and is working to achieve interested bids from business for the Waterston site which is in receipt of Enhanced Capital Allowances.

Benefits are likely to be in the medium to long term. Enterprise Zones do not have specific job creation targets.

It is worth noting that regular businesses breakfasts are being held by the Enterprise Zone Board to promote the benefit of the zone and to liaise with businesses.

What are the achievements of each Enterprise Zone to date?

This has been address in Q 5 above

What is the latest position in relation to the use of Enhanced Capital Allowances and what potential is there for extending their use to more Enterprise Zones in Wales?

Enhanced Capital Allowances were gained from the Treasury after representation from the Welsh Government in relation to the Waterston site. Considerable efforts have being made to market this site effectively. Obviously commercial confidentiality applies in relation to specific enquiries and talks. The position in relation to a more widespread use of Enhanced Capital Allowances depends on representation to the Treasury. The Welsh Government has already secured more that its Barnett share. The Silk Commission in Part One of its report put forward the possibility of the Welsh Government "buying" additional Enhanced Capital Allowances from the Treasury. A response is awaited from Westminster on this proposal.

What is the expected impact on areas neighboring or outside Enterprise Zones?

Neighbouring areas will benefit from capital spend such as roads and rail improvements and are also likely to benefit from training packages made available for enterprises within the zone. In addition, of course, many people living outside the zone will be working inside the zone. Inevitably wherever an economic boundary is created there will be some impact on the other side of it. It is difficult to determine what this will be. Furthermore growth in the zone should act as a catalyst for growth elsewhere in wales.

How can the impact of Enterprise Zones on the local economy be maximised? (such as through the development of supply chains that use local businesses)

The impact of Enterprise Zones can be maximised by effective use of all the incentives available which depends on maximum publicity and marketing. In the Haven Waterway Enterprise Zone effective publicity and marketing meant that we were very successful in maximising the business rates scheme. In addition business breakfasts within the zone, a monthly column in the Western Telegraph written by the chair of the zone and effective working with our partners help to achieve considerable impact in achieving the aims of the Haven Enterprise Zone.

Are the processes in place to ensure that Enterprise Zones are monitored and evaluated effectively?

Obviously the Haven Waterway Enterprise Zone is still in its first year of operation. The Minister is asking for views from Enterprise Zone boards and from AMs on indicators or progress.

Regular reporting to the Minister and her officials on progress in the zone helps to achieve the aims of the zone and means that the work being done is monitored and evaluated. Additionally, at an early stage in the zones existence the chair contacted all local political representatives making it clear that he was available for discussion on any representation that might be made.

What approach is used to ensure that Enterprise Zones in Wales create additional economic activity?

As may be seen a partnership approach with local agencies and local businesses utilising the tools made available by the Welsh Government along with the Enhanced Capital Allowances made available by the Treasury after discussion with the Welsh Government should help create additional economic activity in the Enterprise Zone.

Yours faithfully



Nicholas Bourne
Chair

Haven Waterway Enterprise Zone
Nickbourne1@hotmail.co.uk

The Ebbw Vale Enterprise Zone (EVEZ) is a unique challenge. It is unlike the other EZ locations in Wales in that it does not have a distinct identity; it is not located on one discreet site, or has an obvious commercial attraction (runway, harbour etc.). The area in Blaenau Gwent is also recognised as an unemployment black spot in Wales.

However the area is home to many manufacturing businesses that are world class, Yuasa, Penn Pharmaceuticals, Continental Teves, and Monier etc. It is also an area that has a track record for significant regeneration following the closure of the steel works.

Some of the more obvious perceived weaknesses are in fact strengths. The fact that there is more than one location of the EZ is in fact strength in terms of marketing. It provides the opportunity for many different types of manufacturing, or support businesses to be attracted to discreet locations in line with particular business needs.

The EZ has two very distinct advantages over the other locations in the UK:-

- It has one large and significant development site, Rhyd Y Blew.
- The EZ is in a Tier 1 assisted area.

Therefore the EZ can accommodate even the most ambitious of projects in terms of size; the businesses involved in the project can then possibly claim the maximum level of state aid in all of the funding streams.

The EVEZ board is a private/public sector partnership and contains many CEO's of indigenous manufacturing operations that are imbedded in the area. This is combined with the CEO of the local authority and supported by senior WG officials with a strong connection to the Advanced Manufacturing & Materials (AM&M) sector. The board is therefore ideally placed to drive the project in an effective manner.

Q 1. What is the scale of Welsh Government resource being targeted at Enterprise Zones?

The EZ board is a private public partnership similar to the model of the Sector Panels providing advice to the Welsh Government. The terms and conditions of the board members are such that there is no direct visibility of the Welsh Government budgets. However the board will be aware of significant revenue and capital projects that are planned that provide an indication of the financial resource available.

The main role of the board is to provide governance to the link between the private and public sector; this includes Welsh Government and the local authority. The objective of the EZ is to provide the right infrastructure for long term sustainable development in the manufacturing sector

Business Rate Scheme

A Business Rate Scheme is in operation across all seven Enterprise Zones in Wales. The Scheme is specifically targeted at SMEs and operates under the de minimus regulation. The Scheme is funded by £20 million (£10 million HM Treasury consequential and £10 million ES&T budget) spread across the financial years 2012/13 to 2015/16.

Welsh Government officials sought input from the Enterprise Zone board in fine tuning the Scheme criteria to ensure appropriate targeting and maximum impact.

Set out below is a summary of the scheme that is applied to all EZ's in Wales

- The scheme is discretionary and available in all seven Welsh Enterprise Zones.
- Operationally the Scheme works to lower the operating costs to business by reducing their Business Rates.
- A business would pay its Business Rates as normal and complete an application form to claim through the Scheme in arrears.
- An eligible business could receive 100% funding of Business Rates capped at up to £55,000 per annum.

Q 2. What influence are Enterprise Zone boards having on that Welsh Government resource?

The Enterprise Zone Boards are influencing Welsh Government resources in line with the Boards Strategic Plan.

This includes;

- infrastructure
- Marketing
- ECA site boundaries
- Business Rate Scheme
- Pipeline of enquiries

Q 3. What are the strategic objectives of each of the Enterprise Zone boards?

The board has submitted to the Minister a detailed high level strategic plan.

This plan clearly sets out the infrastructure requirements for the future. These include energy, ICT, skills, R+D support etc. The plan draws on some of the work covered in the Manufacturing Strategy for Wales in terms of identifying the needs of high value added manufacturing operations.

Q 4. What are the specific incentives that are in place to encourage businesses to invest and locate in each Enterprise Zone in Wales?

As a broad policy Enterprise Zones encompass financial and non-financial interventions / incentives that are intended to create positive impacts over the short, medium and long term, such as:

- Inward Investment assistance
- Access to finance
- International trade advice
- Workforce and skills development
- Industry networks
- Business rate support for SMEs
- Enhanced Capital Allowances
- Access to next generation broadband
- Simplified planning
- Investment in infrastructure

Q 5. What are the specific outputs and outcomes that each EZ expects to achieve? (Such as number of jobs created, businesses supported, number of businesses benefiting from business rates reductions, number of businesses using the Enhanced Capital Allowances)

EVEZ does not have specific job creation or number of businesses supported targets, these are a measure of the AM & M Sector itself and not the Enterprise Zone performance. As set out in the strategic plan the EZ's are long term in nature with benefits realisation occurring during and after the intervention has ended. Enterprise Zones only enhance the delivery of economic growth and job creation by acting as an enabler for delivery of the economic development strategies of EZ aligned Sectors.

With the Business Rates Scheme the final position for 2012/2013 is that 6 companies were approved to a value of £193,000. This is a slightly disappointing outcome and actions are underway to increase the level of engagement with indigenous businesses in the area.

Q 6. What are the achievements of each Enterprise Zone to date?

In Ebbw Vale the board has identified the key sites for development and an agreement on ECA's is in place with HMRC.

The process of preparing the main development site at Rhyd y Blew is underway with the conclusion of the environmental study in 2013.

The plans are in place to make each of the sites “kerbside ready” and presentable to potential investors in mid-2013.

Due consideration has been given to the energy requirements of companies within the EZ over the long term. This will be a key consideration for any investor in the UK. Whilst securing the existing local supply there has also been consideration of local generation.

There has also been significant work done on the skills supply pipeline.

Q 7. What is the latest position in relation to the use of Enhanced Capital Allowances and what potential is there for extending their use to more Enterprise Zones in Wales?

Welsh Government Officials successfully negotiated the availability of ECAs in Wales with HM Treasury. The maps of where the ECAs will apply have been published. Use of Enhanced Capital Allowances is non-devolved and businesses investing in an ECA area against eligible criteria liaise directly with HMRC.

In Ebbw Vale ECA’s may be of lesser importance to companies when viewed against the level of Tier 1 intervention that is possible. Each company will be different and it is an advantage to have both levers at our disposal.

Q 8. What is the expected impact on areas neighboring or outside Enterprise Zones?

In the strategic plan there is a full study of the use of EZ policy globally over the last forty years. This clearly highlights the successes and failures of such projects. One issue identified is the successful engagement of the indigenous businesses in and around the EZ. This is true for any location but in particular Ebbw Vale.

The board is constructed in part of CEO’s of local manufacturing businesses. In volunteering for an unremunerated position they clearly signal their desire to support the local area.

In bringing any investment to the area there are some key elements to consider

- Sustainability
- Impact on the skills pipeline
- Supply chain activity
- R+D activity

Therefore the ideal investor is

- High value added in its operation
- Prepared to invest in skills and not deplete the local pipeline
- Committed to Wales for the long term
- Has a commitment of bringing its supply chain to the locality.

In recognising the “ideal” there are plans in place to support the skills development in the area and for WG to proactively support supply chain activity.

Q 9. How can the impact of Enterprise Zones on the local economy be maximised? (Such as through the development of supply chains that use local businesses)

The answer to question 8 does provide part of the answer to this question.

The AM&M sector strategy and the EZ strategy outline the need to work with companies on their supply chain. There is no accurate figure for the level of imports by the sector in Wales; however the figure will be significant. We all operate in a global environment within the sector but there is a clear case to be made for localizing supply. There is clear evidence that employment is created on a 4 to 1 ratio in the supply chain relevant to the host company. The EZ board needs to ensure that all the necessary mechanism is in place to maximize the opportunity.

The level of employment is another significant factor in the economic mix. By their nature companies in the AM&M sector will require highly skilled employees in large numbers over the long term. This should not be achieved by drawing from the workforce of the indigenous businesses. We already have a significant skills gap in Wales and the age demographic of the sector is particularly unhelpful. Therefore this is a key development area.

Q 10. Are the processes in place to ensure that Enterprise Zones are monitored and evaluated effectively?

The terms of reference for the board are set by the Minister.

In the past twelve months the board have focused upon getting the Enterprise Zone sites established with a competitive offering of financial and other incentives. Measuring the effectiveness of these incentives is important.

WG expect to publish indicators by the end of this year. The Minister is seeking the views of the Enterprise Zone Board on what those indicators should be.

Q 11. What approach is used to ensure that Enterprise Zones in Wales create additional economic activity?

The EZ Board recommendations are considered in the broader context of Sector Strategies, in this case manufacturing. There is also due consideration given to the broader infrastructure requirements such as ICT and logistics that may drive economic benefits for the community.

Gareth Jenkins

Gareth M Jenkins
Chair, EVEZ
Chair, Advanced materials and Manufacturing Sector Panel

29th May 2013

Central Cardiff Enterprise Zone

Q1. What is the scale of Welsh Government resource being targeted at Enterprise Zones?

Clearly, the Board is not responsible for deciding the scale of Welsh Government's resources being allocated to Central Cardiff Enterprise Zone. However, it is the Board's role to help develop strategies and marketing plans at an advisory level to Welsh Government, which may indirectly influence how it allocates resources.

In terms of capital resources, the acquisition of land and property within the Enterprise Zone together with associated infrastructure is seen a key activity to achieve the Enterprise Zone Board's recommended strategy to create Grade A Office space. For this reason, significant investment has been made by Welsh Government in the acquisition of a prime development site Callaghan Square

Capital support to business via Enhanced Capital Allowances (ECAs) is a non-devolved policy tool, which doesn't apply to Central Cardiff Enterprise Zone.

In terms of revenue support to business, the current Business Rate Scheme is aimed at Small and Medium Sized Enterprise (SME) businesses within Enterprise Zones, but as the Central Cardiff Enterprise Zone is predominantly made up of larger Financial & Professional Services businesses, the number of companies that could benefit from the current scheme is perhaps somewhat limited compared to some other Zones.

Q2. What influence are Enterprise Zone boards having on that Welsh Government Resource

As noted above, the Enterprise Zone Boards are advisory and assist in the establishment of strategies on infrastructure, marketing and business development. Once again, the Enterprise Zones (including Central Cardiff) do not control Welsh Government budgets, but may indirectly influence how Welsh Government decides to allocate its budget through advice given.

Q3. What are the strategic objectives of each of the Enterprise Zone boards?

The overall vision for Central Cardiff Enterprise Zone is to help create one of the UK's premier locations for business with the aims of attracting new investment, facilitating the development of new high quality offices and other supporting infrastructure and to create new high quality, sustainable jobs.

With regard to the strategic objectives of individual Board Members, these are set out in the Terms & Conditions of their appointment.

Q4. What are the specific incentives that are in place to encourage businesses to invest and locate in each Enterprise Zone in Wales?

From a Central Cardiff Enterprise Zone perspective, these are considered to include:-

Support from a pro-business Government

As a devolved Government, Welsh Government will give companies easy access to key decision-makers to help fast-track relocation or expansion within Central Cardiff Enterprise Zone. It is able to listen to what businesses need and help bring together everything required to make things happen.

Central Cardiff Enterprise Zone Board is driven by industry specialists who are able to draw upon their expertise to support Welsh Government and businesses as required and as directed.

Business Support

Welsh Government's dedicated Financial & Professional Services Sector Team understands the type of support that is needed by business to succeed and the commercial pressures that they face. Welsh Government is able to give a single point of contact to take companies through its outstanding package of business support.

Incentives

Every business is different and requires tailored market solutions for growth. Welsh Government will look employ incentives to help kick-start a move to Central Cardiff Enterprise Zone. For example, a Business Rate Scheme (BRS) is available to SMEs located within the Zone which are either 'new starts' or businesses wishing to increase the size of their respective workforces. Qualifying businesses will pay Business Rates as normal and reclaim the costs through the Scheme – which is the lesser of £55,000 per annum (the cap on the Scheme per annum) or the business rates paid.

Access to Finance

Whether businesses are relocating to, starting up or expanding within the Zone, they can take advantage of a range of competitive finance packages. They can also call on commercial finance from a range of financial institutions like Finance Wales.

A skilled workforce

Cardiff has a highly regarded workforce. Welsh Government can, with business, to review and plan workforce training and development needs, and explain the support available for recruiting and employing new staff.

A new college (Cardiff and The Vale College) has announced plans to build a new campus within Central Cardiff Enterprise Zone at Dumballs Road, which is expected to include courses that will directly or indirectly support future employers within the Zone.

Welsh Government also has close links with the city's Universities and it can facilitate introductions for access to graduates and associated support for skills and training programmes.

Q5. What are the specific outputs and outcomes that each EZ expects to achieve (such as number of jobs created, businesses supported, number of businesses benefiting from business rates reductions, number of businesses using the Enhanced Capital Allowances)

It is hoped that Central Cardiff Enterprise Zone will secure the following outputs and outcomes:-

- 1 Million sq ft of new Grade A offices for both local key pre-lets and speculative inward investing companies, with a potential outcome of accommodating 10,000 people benefitting growth, jobs and wealth;
- A new centre transport interchange including a new city/bay metro transport system, linking together the various business hubs of Cardiff;
- Significant investment in public realm works and architectural treatments to new buildings;
- Further enhancements to the city's excellent broadband connectivity through its 'Super-Connected City' status;
- Investment in new green electricity supplies and infrastructure, together with data storage capacity to meet the future needs of businesses.

Q6. What are the achievements of each Enterprise Zone to date?

- Welsh Government has acquired Callaghan Square in order to help in the provision of Grade A offices;
- Detailed consideration has/is been given to a Railway Transport Interchange;
- Cardiff and Vale College has chosen to locate its new campus within the Enterprise Zone;
- The establishment of the Enterprise Zone is encouraging the interest in property developments within the Zone;
- Active engagement between Sectors of Welsh Government (most notably the Financial and Professional Services Sector (F&PS) and private sector businesses;
- Much more coherent interplay between Welsh Government Sector Panels and private enterprise, using the skills of the Board Members as appropriate in its advisory capacity;
- Pro-active marketing of the Enterprise Zone through the Website and brochures,

Q7. What is the latest position in relation to the use of Enhanced Capital Allowances and what potential is there for extending their use to more Enterprise Zones in Wales

Not applicable to Cardiff Enterprise Zone.

Q8. What is the expected impact on areas neighbouring or outside Enterprise Zones?

It would provide growth for the local economy and provision of new jobs within the Enterprise Zone, whilst acting as a catalyst of growth elsewhere within the city region and Wales.

Q9 How can the impact of Enterprise Zones on the local economy be maximised? (such as through the development of supply chains that use local businesses)

Activities within the Enterprise Zone provide short term boost in the Construction Sector which will indirectly provide a boost to the Retail, Leisure and other service sectors.

Through the appropriate use of Social Benefit Clauses in agreements and the links to education and skills - such initiatives are likely to assist in the employment of local contractors and other associated supply chain workforces.

Q10. Are the processes in place to ensure that Enterprise Zones are monitored and evaluated effectively?

The activities of the advisory Board and the governance requirements of Board Members are set out in the Terms & Conditions of Members appointments.

Within Welsh Government, the Enterprise Zone Programmes and the respective Enterprise Zone Projects are understood to have an appropriate governance and compliance processes in place to monitor progress and compliance and to measure activities, outcomes and outputs.

Output targets are also measured through the respective Sector Teams and some examples of the Key Performance Indicators (KPIs) that are or could perhaps be measured are:-

- Land brought forward for Development;
- Commercial floor space Committed;
- Jobs, and;
- Private Sector Investment Induced

Q11. What approach is used to ensure that Enterprise Zone in Wales create additional economic activity?

Welsh Government has a dedicated sector strategy for the F&PS sector which is fully aligned with the Enterprise Zone Board. This provides a focussed means to retain and attract new F&PS businesses.

Having achieved close Sector and Board alignment, we are now looking to pro-actively promote the EZ Strategy through the establishment of our Marketing Sub Strategy which includes the on-going production of:

- A Central Cardiff Enterprise Zone Brochure
- A dedicated Website include the use of CGI graphics
- A Video/DVD including testimonials.

This pro-active approach, combined with prospective investment by the private and public sectors, will potentially 'catalyse' additional economic activity in the following sectors within the whole city of Cardiff and the wider economic multiplier effect across the City region:-.

:

- Financial & Professional Services
- Retail
- Tourism
- Leisure
- Construction
- ITC/Broadband
- Energy and Environment

Mr John Antoniazzi
Chairman
Central Cardiff Enterprise Zone

Date: 3rd June 2013

Clerk of the Finance Committee
National Assembly for Wales
Cardiff Bay
Cardiff CF99 1NA

Email: FinanceCommittee@Wales.gov.uk

6 June 2013

Dear Clerk

Finance Committee : Inquiry into Enterprise Zones

It is my pleasure on behalf of the Board of the Snowdonia Enterprise Zone to provide written evidence to help inform the Committee's inquiry into Enterprise Zones in Wales.

Background/Context

- 1 Snowdonia Enterprise Zone was established by Welsh Government in May 2012 (along with the Haven Waterway), following earlier designation of the five original Enterprise Zones in Wales. The Snowdonia Enterprise Board met for the first time in July 2012 and comprises of representatives drawn largely from the private sector. The Board is advisory in nature and provides advice to the Minister for Economy, Science and Transport in regard to development of the Enterprise Zone at Snowdonia. The Board recognised that each of the Enterprise Zones in Wales are different and are at different stages of development. Work in regard to Snowdonia Enterprise Zones is at planning stage.
- 2 The Snowdonia Enterprise Zone is centred upon the site of the former Trawsfynydd Power Station. For over 50 years, from construction to operation and now decommissioning, the Trawsfynydd site has provided hundreds of high skilled and well paid jobs in Meirionydd – an area which has suffered from the decline of traditional primary and manufacturing industries. It is an area which is rural in nature and has a relatively weak economic base.
- 3 In addition to the high skill base of the workforce, this 50 hectare site contains significant operational assets such as national grid infrastructure, land and premises associated with its former use and other non operational assets which add to the site's offering, including the 1200 acre Trawsfynydd lake.

- 4 The accelerated completion of the first phase of decommissioning in 2016/17 and the resultant loss of 600 skilled jobs and £80m per annum investment by the Nuclear Decommissioning Authority (NDA) poses a major challenge to the local economy and one of the triggers which lies behind the establishment of Snowdonia Enterprise Zone. At the completion of the first phase of decommissioning in 2016/17, all activity at the site will cease and employment will reduce near zero. The reduction in height of both reactor buildings (which are currently in a quiescent state), is currently planned for 2020/21. This is likely to result in employment numbers increasing to circa 150 for a period of time.
- 5 Following advice from the Board, the Minister for Economy, Science and Transport announced in January 2013 that Llanbedr Airfield would be included as part of the Snowdonia Enterprise Zone. Llanbedr Airfield is situated some 10 miles from Trawsfynydd site and covers some 228 hectares. It includes a number of buildings suitable for aviation uses and related activities, including a main runway extending to 7,500 ft and two additional runways/cross runways of 4,600 feet and 4,200 ft respectively.
- 6 The Board recognises that large scale investments in the medium to long term can be focussed at the Trawsfynydd site. However, it is hoped that the inclusion of Llanbedr Airfield will facilitate short-medium term economic benefits.
- 7 The Board have outlined three near-term priorities in regard to the Snowdonia Enterprise Zones as follows:-
 - (i) developing the local and regional supply chain to support the future of the site and improve Meirionydd's economic prospects.
 - (ii) agreeing a preferred option (s) for the development of the sites, outlining necessary infrastructure requirements and options for creating sustainable employment opportunities.
 - (iii) influencing the decommissioning programme and timetable to maintain employment on the Trawsfynydd site between 2016 and 2021.
- 8 In regard to 7(i) the Board is aware that Welsh Government officials, and partners, have been in discussion with the NDA regarding the forthcoming NDA competition for the Magnox sites. The Board is keen to ensure that the Enterprise Zone strategy is understood and, as far as possible, taken into account by NDA and potential bidders.

- 9 In regard to 7(ii), the Board has prepared an initial Strategic Plan for the Minister highlighting opportunities for the Trawsfynydd site around the ICT/digital and energy sectors. For the Llanbedr site opportunities associated with aerospace were identified. However, the Board concluded that further research is required to ensure robust proposals and interventions are pursued for both sites.
- 10 Based on the advice of the Board, the Welsh Government has commissioned Arup to undertake a Strategic Options Assessment to identify options and set out robust proposals which maximise the Trawsfynydd site's economic potential. The Board believe that this comprehensive options assessment and evaluation of the site is fundamental. The study will be considered in the context of 4 key factors:-
- the Trawsfynydd site's unique characteristics and distinctive assets
 - the Trawsfynydd site's decommissioning programme/timetable and any associated plans by the NDA in terms of land availability and/or disposal
 - location within the Snowdonia National Park
 - the overriding objective being the need for high quality, sustainable employment opportunities.
- 11 It is intended that the above study, which is due to be completed by the end of the summer, will establish and enable:-
- a preferred option or combination of options for the site's future economic use
 - detailed feasibility of preferred option(s) to include costed infrastructure requirements to enable the delivery of preferred option(s)
 - delivery of the site to the market and attract investment and job creation.
- 12 In regard to Llanbedr Airfield, the Welsh Government is currently procuring a masterplan for the site on the advice of the Board. The Enterprise Zone Board recommended the development of a masterplan to identify the necessary investments required to maximize the economic potential of the site within an agreed planning framework to deliver jobs and sustainable growth.
- 13 The Masterplan, which is expected to be completed by the Autumn, will establish and enable:-

- a masterplan approach aligned to the Unmanned Aerial Systems (UAS) sector strategy
 - consideration of the current constraints associated with the site and necessary infrastructure investments required to enhance its attractiveness and deliver jobs and sustainable growth
 - a planning framework to be developed in collaboration with key stakeholders to reduce planning risk for any inward investors or local companies wanting to expand on the site.
- 14 Work is very much at the planning stage as regards to establishing future uses for both Snowdonia Enterprise Zones sites. Both sites have unique characteristics and the above commissions are key to understanding the issues, constraints and opportunities for their future development.

Inquiry Terms of Reference

- 15 Turning to each of the points raised in your Terms of Reference we offer the following observations on behalf of the Snowdonia Enterprise Zone Board.

(i) *What is the scale of Welsh Government resource being targeted at Enterprise Zones?*

As a Board, we are not sighted on internal Welsh Government budgets. The Terms and Conditions of appointment of Board Members explicitly states that the Enterprise Zone Board will not be a budget holder. Rather our role is advisory, setting out proposals and recommendations for the Minister for Enterprise, Science and Transport. However, in regard to the recommendations for expenditure made by this Board, revenue funding has been forthcoming from Welsh Government to commission the studies for the Trawsfynydd and Llanbedr sites which are detailed above.

It is likely that the plans for both Llanbedr and Trawsfynydd will require significant capital investment in future to upgrade its infrastructure, although it is too early to speculate what scale of resource is required from Welsh Government to enable this investment.

(ii) *What influence are Enterprise Zone boards having on that Welsh Government resource?*

As a Board, we submitted a Strategic Plan to the Minister outlining our initial thinking in regard to the development of the Snowdonia Enterprise Zone. This Plan highlighted the need for further in-depth work and this is now being taken forward by way of specific commissions funded by Welsh

Government. In addition the Board have been able to comment on the emerging criteria for the Business Rate Scheme and to inform and influence marketing activity. It is hoped that the outcome of the two commissions will identify tangible infrastructure requirements at both sites and that these will be factored into Welsh Government capital and revenue budgets in future.

(iii) *What are the strategic objectives of each of the Enterprise Zone Boards?*

As detailed above, the role of the Enterprise Zones is advisory in nature. The Board has submitted an outline strategic plan to the Minister setting out initial thinking in regard to the Snowdonia Enterprise Zone. This is outlined above in the background/context section.

(iv) *What are the specific incentives that are in place to encourage business to invest and locate in each Enterprise Zone in Wales?*

As a Board we share the Minister's aims to stimulate investment and facilitate economic development within Snowdonia Enterprise Zone. A wide range of support – both financial and non-financial – is available to support business from Welsh Government. This includes specific incentives such as business rate support for SME's in Enterprise Zones, enhanced capital allowances (allowable in some Enterprise Zones only); prioritisation of next generation broadband. In addition, assistance is provided in the form of workforce and skills development, access to industry networks, inward investment assistance, international trade support, access to finance etc. More generally, it is anticipated that, as necessary, support will be provided for investment in infrastructure, including site infrastructure, transport and telecoms if identified by the work currently underway.

(v) *What are the specific outputs and outcomes that each Enterprise Zones expect to achieve?*

At this stage it is too early to anticipate the specific outputs and outcomes that might be achieved at Snowdonia Enterprise Zone given that work is at a planning stage. The optioneering work underway is an important step towards developing more specific outputs and outcomes in due course. However, the overarching aim is the creation of job opportunities in the area and stimulation of economic growth.

(vi) *What are the achievements of each Enterprise Zone to date?*

It is important we believe for the Committee to appreciate that each of the Enterprise Zones in Wales are different. The work in regard to the

Snowdonia Enterprise Zone is at initial stages, with the two pieces of work currently being commissioned, key to shaping the future strategy and direction for the development of the Zone.

(vii) *What is the latest position in relation to the use of Enhanced Capital Allowances and what potential is there for extending their use to more Enterprise Zones in Wales?*

The Board understand that the use of ECAs is a non-devolved matter and Welsh Government negotiated the availability of ECAs in Wales with HM Treasury. ECAs do not apply to Snowdonia Enterprise Zone and we understand there is no potential for extending their use to the site at the present time.

(viii) *What is the expected impact on areas neighbouring or outside Enterprise Zones?*

We would expect the impact on neighbouring areas to be positive. We would hope that in the context of Snowdonia Enterprise Zone, the desired impacts would be:-

- growth of the local/regional economy and provision of new jobs
- acting as a catalyst for growth elsewhere in Wales
- improve the attractiveness of the EZ/Wales for investors
- strengthening the competitiveness of the Welsh economy

(ix) *How can the impact of Enterprise Zones on the local economy be maximized?*

The impact on the local economy can be maximized in a number of ways, including development of supply chain opportunities, application of business rate scheme, and link to broader education and skills development.

(x) *Are the processes in place to ensure that Enterprise Zones are monitored and evaluated effectively?*

The Board meets on a regular basis and reviews activity and progress.

(xi) *What approach is used to ensure that Enterprise Zones in Wales create additional economic activity?*

The Snowdonia Enterprise Zone Board makes recommendations to the Welsh Government, influencing delivery of sector activity and broader support.

I trust the above will be of help to the Committee as part of its inquiry.

Yours sincerely

Dr John Idris Jones
Chair
Snowdonia Enterprise Zone Board

Invitation to provide evidence – Enterprise Zones

Response from the Deeside Enterprise Zone – Advanced Manufacturing

1. What is the scale of Welsh Government resource being targeted at Enterprise Zones?

The Welsh Government (WG) is clearly in a better position to make a full response to this question. In addition to maximising the benefits of existing resource, the contributions of WG officials and the in-kind contributions of Board members, there are a range of specific resource streams linked to capital and revenue budgets. These can be confirmed by WG officials. It should be also noted that the Enterprise Zone (EZ) Board is an advisory group, and is not a budget holder. Recognising that there is never enough resource available, the scale of resource is adequate at present. EZs is clearly a national initiative, and one of the biggest resulting challenges is the wide variation in starting points, scale of opportunity and ambition, and the local context for each EZ. Linked to this, there has been some lack of clarity in relation to the role of local authorities and regional bodies such as the Economic Ambition Board, in North Wales.

In terms of resources and incentives for employers in Deeside, the current situation is good. However, confirmation is needed as regards Enhanced Capital Allowance (ECA) status of all the proposed sites and that the EU rules on grant funding percentages for Deeside will be retained at the maximum level post 2013. This is needed in order to present an attractive offer to prospective inward investors over the period of their investment horizon.

2. What influence are Enterprise Zone boards having on that Welsh Government resource?

A Business Plan was submitted in Autumn 2012, and we are awaiting a response from officials. The Business Plan is a substantial and comprehensive document that sets out ambitious proposals for Deeside. This will clearly impact on resource allocation, and we are due to receive a response from WG by the end of June 2013.

3. What are the strategic objectives of each of the Enterprise Zone boards?

These are very clear for Deeside, and are specified in the Business Plan. The main priorities are:

- Education & Skills
- Business Support & Entrepreneurship
- Key Infrastructure & Property
- Supporting Advanced Manufacturing
- Marketing & Communications

4. What are the specific incentives that are in place to encourage businesses to invest and locate in each Enterprise Zone in Wales?

Tier 2 assistance, National Non Domestic Rates (NNDR) relief, Enhanced Capital Allowances (ECA), and support for infrastructure. There are wider incentives than those of a direct financial nature and these are outlined in our Business Plan.

5. What are the specific outputs and outcomes that each EZ expects to achieve? (such as number of jobs created, businesses supported, number of businesses benefiting from business rates reductions, number of businesses using the Enhanced Capital Allowances).

Our main aim is to create 7000 net new jobs, through existing companies and new inward investors. Our Business Plan outlines the enablers that we believe will be essential if we are to achieve or exceed this ambitious target.

6. What are the achievements of each Enterprise Zone to date?

We have a Board in place that meets regularly and is well attended. The Business Plan has been completed and submitted.

440 new jobs have been created in Yr1, and a feasibility study on a North Wales Advanced Manufacturing Park will be completed by the end of June 2013. This has been supported by Welsh Government funding, with procurement through Flintshire County Council (FCC).

The Board is committed to an inclusive and collaborative style and has used its time and resources to gather intelligence regarding property and infrastructure needs, and to inform and gain the support of the business people to support the economic development of the region.

7. What is the latest position in relation to the use of Enhanced Capital Allowances and what potential is there for extending their use to more Enterprise Zones in Wales?

It is our understanding that no ECA has been accessed to-date. This is disappointing.

8. What is the expected impact on areas neighboring or outside Enterprise Zones?

The Deeside EZ has the potential to create employment opportunities for large numbers of people from across North Wales. The key will be creating training opportunities and improving connectivity. We are keen to develop links with neighbouring EZs in North Wales, and regional and national meetings of EZ Chairs will take place from June 2013. At Deeside we are also very conscious of our cross-border location and role, and the need to work closely with other bodies, particularly in relation to the wider Mersey-Dee Alliance (MDA) area. It is essential that we identify synergies so that we complement one another rather than compete. We expect that the effect of EZs and associated initiatives in England will encourage a cluster effect leading to a mutual growth rather than a displacement.

9. How can the impact of Enterprise Zones on the local economy be maximised? (such as through the development of supply chains that use local businesses)

Through collaboration as outlined in the previous response, and particularly through developing a regional 'skills pipeline'. We all operate in a very competitive environment and we need to find a way to attract new investment, business, and jobs. In order to achieve this we need to identify the enablers that will make the difference between a business setting up in Deeside or elsewhere. Our Business Plan sets out to achieve this.

10. Are the processes in place to ensure that Enterprise Zones are monitored and evaluated effectively?

This is under developed at present, perhaps because the Business Plans have yet to be approved. Although activities such as levels of enquiries, investment/jobs, and the level of property take-up are being monitored, this would happen anyway. Recognising the limited role of the EZ Board itself as an advisory body, there is a need to develop clear and understandable objectives and Key Performance Indicators (KPIs) with associated timelines, both for the Board and the WG.

11. What approach is used to ensure that Enterprise Zones in Wales create additional economic activity?

Only those projects which create true additionality in jobs/output are being supported, and to-date, there is no evidence of 'boundary-hopping'. It is still fairly early days in the implementation of EZs, but the next 9 months are crucial, and tangible progress should be expected by all in this period. To achieve this in Deeside, we need to progress our Business Plan and establish the right infrastructure, energy supply, security of skilled labour, expedited planning, appropriate incentives, relationships and the commitment of local and regional partners. If we make good progress with these, we are confident that we will attract business and investment in to Deeside, as the starting point for the region is so positive and capable. However, we need to move quickly, particularly as developments in neighboring North-West England are moving at speed and are well resourced. We will have to take some calculated risks if we are to achieve the potential of the Deeside EZ, and to use it to drive economic growth for Wales.

Q1- What is the scale of Welsh Government resource being targeted at Enterprise Zones (EZ)?

It is important to stress that the issue concerning resource is not just the scale and absolute amount of resource but the most efficient allocation of that resource. The bedrock of micro economics is how to best satisfy societies infinite material wants with resources that are limited in comparison, and which have alternative uses. To meet this objective to the maximum extent is to both prioritise and align existing resources and interventions. So there are two sources of resource; increase the total amount and; make better use of what exists.

Whilst EZ Boards are not privy to internal Welsh Government's Budgets, boards will be aware of revenue and capital projects that exist or are proposed. This gives an indication of resources, financial and otherwise, that are available.

The EZ Board is not a budget holder, and is solely an advisory board advising of its plans and proposals for the Ministers consideration. If approved by the Minister, delivery will be co-ordinated through the Welsh Government. This creates a comprehensive view of the development of the Enterprise Zones.

One particular resource is the EZ Business Rate Scheme funded by £20M to 2015/16. This is only available within an EZ and it is aimed at SMEs, (It would be unlikely to make a difference to the Decision Making of a larger Enterprise) and an eligible business could receive 100% funding of Business Rates capped at £55,000 per annum. This is a significant amount in terms of the finances of an SME (to comply with EU Rules, the support is up to €200,000 over a rolling three year period). The Welsh Government asked for input from the EZ Boards in fine tuning the Scheme's criteria to produce correct targeting and maximum impact.

Q2- What influence is Enterprise Zone boards having on that Welsh Government Resource?

This is an evolving picture and process. The EZ Boards influence Welsh Government resource via the detail in the Board's Strategic Plans which cover infrastructure, marketing, location of ECA, site boundaries, business rate schemes, skills, transport, communications and so on. As already referred to, the EZ Board is not a budget holder, but there is a clear process of plans- submission- decision- delivery. All this is within the context of coordinated Welsh Government activity to ensure that there is a comprehensive view of development in a particular EZ and between EZs. It is important, given the pressure on resource, that different EZs work together where appropriate. This helps the correct allocation of scarce resource including the avoidance of unproductive duplication. For example, St Athan/Cardiff Airport EZ could judge that a particular scheme is more appropriate to Ebbw Vale, than to itself.

Q3- What are the strategic objectives of each of the Enterprise Zone boards?

These drive the aforementioned 'high level strategic plans'. In essence the objective is to support and develop the size and efficiency of the Welsh Economy. This means the development of Enterprises within the EZs, which create sustainable jobs- i.e. jobs that can be retained whatever challenges competitive markets throw at them. The chain of causation must be from efficient and competitive processes and products- to – jobs and not jobs 'per se'. To increase Welsh income per head an objective here should be to attract activities that pay more than the existing average. The St Athan Enterprise Zone has an overall focus on the Aerospace Sector in all its facets, be it manufacturing, service and operations. However, this does not mean that other opportunities will be ignored. Developments will cover products and processes and as such there will be synergies between Aerospace and other sectors. For instance, material technologies are part and parcel of many facets of transport, construction and so on.

The Strategic Objective will always be guided by the fact that 'advanced', 'competitive', 'sustainable' activities include: a) the manufacture and use of 'clever' 'tomorrow's', products and b) the manufacture of yesterday's and today's products in a very 'clever' way- Thus remaining one leap ahead of the opposition with process and product developments. The Strategic Objectives are also enshrined in the EZ's modus operandi from plans – to – delivery mentioned earlier.

Q4- What are the specific incentives that are in place to encourage businesses to invest and locate in each Enterprise Zone in Wales?

At present, the specific financial incentives are modest. The Business Rate Scheme is the main financial lever at St Athan as previously described.

St Athan is not located within an assisted area in Wales, so will not qualify for ECAs under present Treasury arrangements. Most 'incentives' where the St Athan EZ is concerned are non-financial levers. This tends to replicate the role of the Whitehall 'industry' departments over the last 25 years, where facilitating in the absence of financial resource has been their main *raison d'être*.

At present, the EZ Board is mainly engaged in facilitating the delivery of Economic Development. This development is stimulated and delivered by Welsh Government and some non Welsh Government Departments.

Enterprise Zones set out what is available, offer support, and encourage firms to locate within the Zone in order to avail of the benefits.

In addition to the specific and pan-Wales levers that encourage firms to locate and invest in Wales, there is also the experience, knowledge and professional network of the EZ Boards and sector panels, which can be accessed where and when. Furthermore, a critical mass of activities within the zones will provide a great external benefit to existing and new enterprises via an agglomeration effect.

Q5- What are the specific outputs and outcomes that each EZ expects to achieve? (such as number of jobs created, businesses supported, number of businesses benefiting from business rates reductions, number of businesses using the Enhanced Capital Allowances)

Expectations are laid out in the board's strategic plans. These tend to be aspirational, but aspirations based on what should be feasible, for the St Athan Cardiff Enterprise Zone to realise. Clearly, this is a dynamic process with acceleration in the number and scale of outcomes as the zone develops and consolidates.

In trying to estimate and forecast specific outcomes to be delivered, not as a single 'stock' but as a 'flow' over time, it is as well to remember the tactics and strategies drilled into the mind of every Australian test cricketer; do not think of a target, but build your innings one run at a time. In other words, take it one step at a time.

The St Athan/Cardiff EZ does not have a specific target for job creation or for the numbers of firms to be supported. These numbers are the measure of sector performance rather than EZ Performance, within the Welsh Government. So what the EZs achieve is a contribution to a wider total which is made up of various strands. This view is also reinforced by the Australian procedure- the EZs should explore all opportunities and judge which are suitable and thereby steadily accumulate not runs but, jobs. However, this is not to say that the EZ must operate in the dark.

A Masterplan for the St Athan site is under development and once complete can provide an indication of the potential of how many square feet of business space and jobs per sq ft 'multiplier' the Zone could provide.

As pointed out, the ECAs do not apply to St Athan as it is not in an assisted area, however three of the five eligible Enterprise Zones can offer this allowance. See the answer to question seven regarding the way in which the scheme could benefit St Athan/Cardiff Airport Enterprise Zone.

As St Athan/ Cardiff Airport EZ is located outside of the assisted areas the locations 'assets' correctly leveraged should be enough to create a successful EZ. In addition, firms will not move to an assisted area anymore just for the aid alone. Industry learnt the folly of this in the 1960's and early 1970's. Instead the location and site must make commercial sense, but the 'aid' in whatever form might be a 'dealmaker'. In short, it can be the icing on the cake.

Q6- What are the achievements of each Enterprise Zone to date?

It is to state the obvious, that the EZs are at the very beginning of their task. A flavour of what can be achieved can be seen in the EZ Strategic Plan. However, in detail, in St Athan and Cardiff Airport we have the first achievements. These have been bedrock developments which demanded much effort, time and skill. Firstly, terms have been agreed for the 'Super-hanger' and armed forces relocation. Secondly, the positive discussions regarding proposals for a viable 'Gateway' development at the Cardiff Airport site are being taken forward. Thirdly, the Welsh Government ownership of Cardiff Airport adds value to the Marketing of the whole EZ. Fourthly, from its inception, the Zone has seen a number of aerospace related investments and as a follow on, a 'pipeline' of enquiries has been created. This exemplifies the nature of the EZ approach to date. The next stage is to inject a degree of 'lift off'.

Q7- What is the latest position in relation to the use of Enhanced Capital Allowances and what potential is there for extending their use to more Enterprise Zone in Wales?

As St Athan is outside the assisted areas, ECAs are not available. Furthermore, there is no potential for extending the ECAs to more Enterprise Zones.

However, St Athan/Cardiff could benefit indirectly if the ECAs attract new investment to adjacent Enterprise Zones. This could result in a need for a spin off, supply chain, support, which could be more efficiently located in St Athan than in the host EZ. This stresses the importance of EZ coordination, and the EZ's working together where appropriate.

Q8- What is the expected impact on areas neighbouring or outside Enterprise Zones?

Clearly questions 8, 9 and 11 are closely related as they cover spatial and spill-over's (externalities) of one sort or another.

To reiterate, the St Athan/EZ has limited financial incentives available other than the Business Rate Scheme. Therefore, the potential displacement effects will be minimal. It is considered unlikely that a firm would shut up shop to move to St Athan with all the attendant dislocation costs for circa £50,000. Thus 'the impact effect' can be expected to be positive overall.

If the EZ achieves its desired aims and outputs, then it should –

- 1) Help the local economy to grow and thereby creating additional jobs. The EZ will be an economic 'hotspot' to ignite the wider local and regional economy.
- 2) An EZ if successful in its ambitions to become a major cluster with significant externalities should help growth in an even wider area of Wales. The entire South Wales industrial area from Gwendraeth to Chepstow is small and has access to St Athan. However, that access still must be improved forthwith.
- 3) Enhance the attractiveness of the EZ, and therefore Wales, for investors. The EZs should be a halo effect for Wales in general.
- 4) Attracting firms with high productivity, best practice, etc can strengthen the competitiveness of Wales as a whole. There is little doubt that the major Japanese investment in the UK, and particularly in Wales, acted as a MBA Course for the wider economy. The Auto Sector is a case in point. The EZs can perform the same function.
- 5) Firms in St Athan have said that a major reason for their location decision was the existence of excellent infrastructure around the zone. This referred to products, process and skills. It is possible that we over emphasise our 'skill shortage' to the detriment of the Welsh Image. There is a de facto argument that the overall skill shortage is not nearly as bad as some say.

Q9- How can the impact of Enterprise Zones on the local economy be maximised? (such as through the development of supply chains that use local businesses)

The EZs act as an enabler to the economic development strategies of EZ aligned sectors. The sectors approach target interventions on a Wales wide basis. The Enterprise Zones provide a narrower locational focus for targeting initiatives and thereby create 'hotspots' from which others can benefit from.

The focussed approach of an EZ helps to expand a pre-existing cluster to generate spill over effects in an area already geared to supply the needs of the cluster. This creates a vibrant virtuous circle.

Allied to this, the EZs are keen to maximise the Welsh Governments supply chain initiatives to develop local supply chains and the creation of anchorage to keep firms within Wales.

Training schemes aligned with expanding and new Enterprises can supply existing firms in the zone, be they manufacturing or service sector. The 'host' firms might want to mentor such suppliers.

The Business Rate Scheme support for SME expansion and new entrants can provide the impetus for SME clusters. This can be of major economic and commercial impact because of the huge increase in labour productivity over the last 25 years in employment terms, a medium size firm is now a very significant operation.

Q10- Are the processes in place to ensure that Enterprise Zones are monitored and evaluated effectively?

It is the view of this board that the processes are in place to monitor and evaluate the EZs effectively. Clearly, the effectiveness depends on how they are used, by whom, and for what reason.

The answer to question one illustrates the process for Ministerial and official monitoring in terms on objectives and delivery. This is further fleshed out in subsequent answers.

All of the above has been written within the context of establishing the EZs on a firm and sustainable basis. Much effort, time and employment has been devoted to this end. The foundations of the Enterprise Zone had to include the establishment of a competitive offering of financial and non-financial support. Measuring the effectiveness of these incentives in future will be paramount, and will test the efficiency of the system in place. The thrust of questions 8, 9 and 11 and the answers show why merely monitoring forecasts of GVA per head, jobs created or preserved, Enterprises formed, etc is not a reliable way to link EZs activities and outcomes as an evaluation of effectiveness. Much of the 'success' of an EZ will come from impacts made outside the zone. However, to say that such developments have a measurable cause- to- effect is heroic. A wide range of factors will be in play of which the EZ is one. Clearly, a more sensitive approach has to be put in place.

Q11- What approach is used to ensure that Enterprise Zones in Wales create additional economic activity?

The overarching approach is a free market one but with specific interventions to overcome market breakdowns which prevent the free market achieving optimality.

In short, the EZ Board's recommendations are considered in the context of sector strategies, and the recommendations are presented in the context of Government Policy. Capabilities taken forward and developed via the EZs, will in turn enhance the sectoral and Welsh 'product'.

The St Athan/Cardiff Airport Enterprise Zone Board takes a very pro active role in its recommendations, and their desirability. Without exception the Board is guided by promoting the Welsh Economy in general, maximising sustainable spill over's and, identifying constraints on the EZs effectiveness wherever perceived.

The EZ is not a parcel of land, but a major economic lever waiting to be vigorously pulled.

Prof Garel Rhys CBE and the Board of Enterprise Zone.

Anglesey Enterprise Zone

- **What is the scale of Welsh Government resource being targeted at Enterprise Zones?**

I think it is worth noting that the role of the Enterprise Zones is not simply about having or requiring additional resources but to identify and prioritise the best fit alignment of existing resources. The Enterprise Zone holds no budget but will put forward proposals that align with the sector specifically identified to assist growth, wealth and jobs to the Zone. Recommendations will be put to the Minister which the Board deem beneficial to the Zone and seek approval of projects from the Minister. These activities will then be managed by WG. The EZ Boards will be aware of and informed of potential significant revenue or capital projects and consulted with to provide opinion and steer if required.

A significant resource that has been allocated to the Anglesey EZ is that of the EZ Business Rate Scheme to SMEs that sit within the Zones, further assisting the creation of growth, wealth and jobs by offering financial assistance in the form of reduced operating costs to businesses that meet the criteria. Welsh Government officials sought input from the Enterprise Zone Boards in fine tuning the Scheme criteria to ensure appropriate targeting and maximum impact.

Enhanced Capital Allowances (ECAs) are not a Welsh Government financial resource. ECAs are a non-devolved policy lever.

From the first round of the EZ Business Rate Scheme, 5 applications were approved for SMEs on Anglesey EZ sites. A second round was launched on May 15th 2013 via direct mail to all businesses that were deemed potentially eligible to benefit.

- **What influence are Enterprise Zone Boards having on that Welsh Government resource?**

The Board's role is to advise the Minister where appropriate on the allocation of WG resources and developments. The Board have also provided a detailed Strategic plan for the Zone. On Anglesey, initially 10 sites were identified as potential areas within the Zone and 8 were approved.

Uniquely, Anglesey's EZ Board also aligns and works with the Energy Island Programme which is in operation on Anglesey, in looking at the wider opportunities for future business growth and how WG can assist in achieving its potential.

The Board also assist and provide direction when looking at the marketing activity of the EZ on various platforms e.g. Website, printed materials, direct mailing and target events.

The EZ Board also works and liaises with the Sector specific teams within WG that allows projects to be developed cohesively. The Board however holds no budget of its own.

- **What are the strategic objectives of each of the Enterprise Zone Boards?**

The Boards strategic objective is to advise the Minister and assist in the decision making process to enable the creation of jobs, wealth and growth. This is assisted with a high level

business plan for the Zone and involves recommendations on transport, infrastructure, provisions on sites and premises (working closely with the local authority on compiling information, while harnessing and using existing information already held), the development of skills and indentifying future skills requirements, and highlighting the importance and influencing the priority of improving the broadband connectivity and mobile telephone signal infrastructure improvements.

Anglesey as we are all aware is in line to benefit over the coming years from £billions of worth of investment from within the energy sector and we need to make sure we are maximising the potential of the proposed investments.

- **What are the specific incentives that are in place to encourage businesses to invest and locate in each Enterprise Zone in Wales?**

Below is a list of both financial and non financial incentives offered on the Anglesey EZ sites designed and compiled to offer additional assistance for both the short, medium and long term benefits to businesses located within the designated Zones.

- Inward Investment assistance
- Access to finance
- International trade advice
- Workforce and skills development
- Industry networks
- Business rate support for SMEs
- Access to next generation broadband
- Investment in infrastructure
- Alignment with the Energy Island programme and sector teams
- Business friendly planning process

- **What are the specific outputs and outcomes that each EZ expects to achieve? (such as number of jobs created, businesses supported, number of businesses benefiting from business rates reductions, number of businesses using the Enhanced Capital Allowances)**

The Enterprise Zones are not remitted with specific job creation or business support targets but act as an enabler to assist in the above. These targets are measures of success for the WG sectors through programme activity rather than the Zones. The exception being (as mentioned previously), under phase one of the EZ Business Rate Scheme on Anglesey, 5 businesses have benefited to date. All SMEs located within the designated Zones have been contacted directly to make them aware of then potential for assistance under the EZ Business Rate Scheme for the second phase. We are now awaiting information on the take up of phase two.

- **What are the achievements of each Enterprise Zone to date?**

We have created a strategic plan to identify key priorities and ongoing activities required to assist in future developments.

Anglesey EZ has secured the status of having the second phase of the EZ Business Rate Scheme available to businesses located within the appropriate sites.

We have commissioned a review of all of our strategic sites which will provide any potential investors with detailed and site specific information, this report is in draft form and due imminently.

We have identified the prioritisation of the next generation broadband to be located in all 8 of sites

We are currently engaged with both the WG and Ofcom on the importance and availability of improved mobile telecom infrastructure requirements.

We have endorsed and supported the development of a master plan for Holyhead Port as it has been identified as a critical requirement for any future investor to have access to good port facilities.

We have developed and populated a sub-site for Anglesey EZ – which sits within the main WG EZ website, offering information to potential investors and individual businesses on the Anglesey EZ offer.

- **What is the latest position in relation to the use of Enhanced Capital Allowances and what potential is there for extending their use to more Enterprise Zones in Wales?**

Anglesey EZ does not benefit from the Enhanced Capital Allowance scheme and we understand that the current position is that the scheme will not extend beyond those Zones that already have the allowance.

- **What is the expected impact on areas neighbouring or outside Enterprise Zones?**

The expected impact of a successful EZ on Anglesey reaches far beyond the boundaries of the 8 sites on Anglesey. Working closely with the Energy Island Programme the focus is on identifying the potential of the sites in creating opportunities for supply chain businesses considering the likely investment taking place on the Island from the energy sector. The benefit of this approach means that the potential outcomes and areas to benefit from growth, jobs and wealth stretch across the entire North Wales area. We as a Board have never considered that the benefit will be entirely and wholly only enjoyed on Anglesey.

- **How can the impact of Enterprise Zones on the local economy be maximised? (such as through the development of supply chains that use local businesses)**

As mentioned above the supply chain opportunities have been identified as a key priority in the Anglesey EZ strategic plan and will create improved and enhanced employment and earning opportunities for the local and regional workforce.

Key infrastructure improvements such as a third crossing of the Menai Strait and further enhancement of utilities offer considerable improvements for local population and improved quality of life benefits. These along with better access to high speed broadband and

improved mobile telecommunications, will in future offer improvements to both the local population but also visitors to the island.

The identified skills requirements will also offer workforce development opportunities to both the local and the regional workforce enhancing the future economic prosperity of the workforce.

The EZ Business Rates Scheme is seen as a key driver in achieving the potential for the supply chain development.

Again working in close alignment with the specific sector teams and WG Departments e.g., DfES, EST, ICT, supply chain and R&D developments, is critical to maximising the opportunities in assisting the Anglesey EZ in achieving its potential.

- **Are the processes in place to ensure that Enterprise Zones are monitored and evaluated effectively?**

Anglesey EZ Board has adopted the WG EZ Board Governance by signing up to its terms and conditions.

To date the Anglesey EZ has also developed its vision and identified its priorities and provided this information to WG. Working with specific indicators such as job creation or simple GVA would, or could not be a fair reflection of performance, as outside factors out of the control of the Board may influence the outcomes.

We expect in the future that any uptake of priorities and indicators will be provided and discussed by WG and presented to the Board.

- **What approach is used to ensure that Enterprise Zones in Wales create additional economic activity?**

The vehicle chosen to create additional economic activity within the Zones was to make them sector / industry specific. The benefit with this approach is that in effect, Zones can be viewed as centres of excellence or hubs of activity where focused areas of specialist knowledge and skills are available.

The makeup of our Board comprises local, successful and ambitious members who understand the local and regional economy and are in a position to advise WG on sector specific strategies while assisting in exploiting further opportunities to assist in growing the local and regional economy on, in and around the EZ.

Neil Rowlands – Chair Anglesey Enterprise Zone

Finance Committee

Meeting Venue: Committee Room 2 – Senedd

Meeting date: Wednesday, 8 May 2013

Meeting time: 09:30 – 11:15

This meeting can be viewed on Senedd TV at:

http://www.senedd.tv/archiveplayer.jsf?v=en_300000_08_05_2013&t=0&l=en

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



Concise Minutes:

Assembly Members:

Jocelyn Davies (Chair)
Peter Black
Christine Chapman
Paul Davies
Mike Hedges
Ann Jones
Julie Morgan

Witnesses:

Committee Staff:

Gareth Price (Clerk)
Mike Lewis (Deputy Clerk)

TRANSCRIPT

View the [meeting transcript](#).

1. Introductions, apologies and substitutions

1.1 Apologies were received from Ieuan Wyn Jones. There were no substitutions.

2. Papers to note

2.1 The Committee noted the letter from Community Housing Cymru and the Welsh Government response to Invest-to-Save.

2.2 The Committee noted the minutes from the meeting on 24 April.

3. Motion under the Standing Order 17.42 to resolve to exclude the public from the meeting for the following business

3.1 The Committee agreed the motion.

4. Enterprise Zones – Consideration of draft terms of reference

4.1 The Committee agreed the draft terms of reference and to undertake a visit to St Athans Enterprise Zone on 22 May.

4.2 The Committee also expressed an interest in visiting other Enterprise Zones in Wales in the near future.

4.3 The Committee asked Research Service to provide a comparative study paper on previously and recently established Enterprise Zones.

4.4 The clerking team agreed to provide the transcript of the previous session on Enterprise Zones undertaken by the Enterprise and Business Committee on 29 November 2012.

5. Preventative Spending – Options Paper

5.1 The Committee discussed the options paper and agreed to undertake a focussed approach to preventative spending. The two preferred options were:

- To use preventative spending as the focus for draft budget scrutiny.
- To look at a specific policy area of Welsh Government following the budget. Eg anti-poverty work.

6. Financial implications of the Further and Higher Education (Governance and Information) (Wales) Bill

6.1 The Committee discussed the Research Service paper on financial implications of the Further and Higher Education (Governance and Information) (Wales) Bill and agreed that the financial and accountancy aspects relating to the Bill were of particular interest.

6.2 The Committee Clerk agreed to write to the Welsh Government to determine which Minister to invite to Committee to address these wider issues.

6.3 Committee requested that the Research Service provide a detailed breakdown on the annual costs in the FE and HE Bill and how these were calculated; a definition on what constitutes a non-profit organisation; and a paper on the different approaches adopted in England, Scotland and Northern Ireland in their classification of Further Education Institutions (FEIs).

7. Asset Management – (Public Services Leadership Group) Demonstration of its E-Pims system

7.1 The Public Services Leadership Group demonstrated its E-Pims system to the Committee.

Document is Restricted